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MAGNA BRITANNIA





# MAGNA BRITANNIA

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## PREFACE

THIS book is the first attempt on a very ambitious undertaking. It tries to show the British Empire as an 'expanding Commonwealth,' a phrase whose meaning will be clear to the reader from the second chapter onwards. Also, it tries to show what this process of evolution inside the British Empire means to the whole world. The Empire is shown as one of those decisive developments in human organisation which, from the earliest days of our species, have been the means whereby civilisation has been constantly preserved and carried forward. This exposition has involved an inquiry into the present state of the Empire's organisation and an attempt to decide the direction and the manner of its development in the immediate future, which is all we can hope to see at present. Occasionally there are patches of economic and political details, but these are no longer than is necessary for the purpose they are meant to fulfil, namely, to act as support for the inquiry into the philosophical, political, and economic foundations of our Great Society. It is hoped that this book will show that the British Empire has its own life and individuality, separate from, yet compounded of those of its several members. The philosophical theory of such a supranational system ought to be laid on firm foundations because of its vast importance for the future organisation of the whole world, and it is hoped that this work will, at any rate, show the need for this philosophical enter-

prise, even if it fails to make any great contribution thereto.

The author's acknowledgments are due to the editors of the *Political Quarterly*, *Population*, *Weltwirtschaftliches Archiv*, and *The British Empire Review* for permission to use material contributed to their periodicals. Last, and most important of all, the author's grateful thanks are due to Miss Joan Leggett for much help and service, including the invaluable service of safeguarding manuscript which he had done his best to lose.

POSTSCRIPT.—When this Preface was written, the dedication of the book was 'To my Wife, with whom every part of this book has been worked out.' Before the proofs came back to me, an accident in Germany had robbed the Empire of one of its most devoted sons, Sir Basil Blackett. At my wife's suggestion, I have altered the dedication as a last tribute to Basil Blackett's memory.

TO THE MEMORY OF  
BASIL BLACKETT





# MAGNA BRITANNIA



## INTRODUCTION

THE British Empire can be studied in a number of different ways. It can be regarded, for instance, as a subject for straightforward historical narrative, the reader being told when and how it grew up by the adding of territory to territory. This naïve treatment, however, has long since passed out of fashion, and it is now found necessary to explain why the British Empire, as we know it to-day, continues to exist. Much attention, therefore, has been given in recent years to the rise and progress of responsible self-government in the British Dominions, since the continued association of the Dominions with Great Britain on the basis of Dominion status is an entirely new form of political organisation which calls for explanation. Hitherto, no philosophically valid explanation of the continued connection between all the self-governing members of the Empire has appeared. The more obvious binding links between them have been pointed out often enough—such things as common racial origins, common traditions, and common allegiance to the King. But, on even such fundamental points as these, the usual reasons for the existence of the British Empire break down, since the most cursory reflection will show that they are not all true of some of its peoples or parts. When we consider the dependent, or coloured, part of the Empire, for example, their application is clearly limited. As we shall see later in this book, the search for some universally and absolutely valid founda-

tions for the British Empire is an essential part of such a study as that which is being undertaken here, and its prosecution reveals some strange and important results. The constitutional history of the British Empire is, in fact, no more satisfactory as an explanation of its survival than is the plain narrative of its formation. The position of India—and still more of the Colonial Empire—is hardly touched by it. In these days, for a large number of reasons, which will become plain as we proceed, it is necessary to justify the existence of the Empire. Therefore, in recent years, increasing attention has been paid to the economic side of inter-imperial relations, or, if the phrase is preferred, the economic foundations of the Empire. A large volume of writing has appeared on this subject, and it is not too much to say that this aspect of the question—vastly important though it is—tends now to be overstressed. However this may be, at any rate it has the merit of broadening the bases of inter-imperial relations, both in the popular imagination and in the work of writers and scholars. No study of the British Empire would be regarded as really adequate unless it gave sufficient attention to its economic as well as its constitutional and historic sides.

Still more recently—indeed, in these very days—the British Empire is beginning to be studied from yet another angle. This is the angle from which the Commonwealth Relations Conference at Toronto in 1933 approached it. The Toronto Conference met to study the principles on which the existing British Commonwealth of Nations does actually rest, to examine the practical machinery whereby the British countries co-operate with each other, and, finally, to discuss the momentous question, How far can the British Common-

wealth form a *bloc* for purposes of foreign policy? With this question we come to the very essence of our post-War Commonwealth. Is there, in fact, too great a disharmony between the regional interests of its different members and the interest of the whole Commonwealth, to permit of unity and co-operation in external affairs, and—a still more searching and vital query—in the dread event of war? But the Conference takes us a step further even than this, for perhaps the most valuable of all the truths which it revealed was that the British Commonwealth of Nations is essentially a moral conception. With this, we are brought to a completely new line of study, one which has, up to the present, been left entirely unexplored. This new line of study is concerned with the philosophical foundations of the British Empire. In spite of the importance of the Empire, both in the grand secular process of the development of methods and aims of human association, and, also, to the actually existing structure of international relations, no adequate attempt has, so far, been made to work out its philosophy. This is a task whose achievement is an absolutely necessary first step towards an adequate account of what the British Empire is and what its functions and destiny are to be.

Our object in this book is to study the Empire from all these angles and, in particular, to make, at any rate, a beginning of the study of the philosophical and, therefore, universally valid principles on which it rests. And it is something more. The British Empire is not a mere aggregate of all its component elements, whether these are regarded from the physical, political, economic, moral, or philosophical aspect. It includes and transcends them all, making of them an entity with its own

life and characteristics, its own work and its own destiny. The main purpose of this book is to show the lineaments, to describe the character and to expound the functions of this great society. Any partial survey of the British Empire taken from any one particular angle leads without any chance of escape to a mechanistic conception of it. We want to study it as it really is—as a movement in the progress of human society being carried out by about a quarter of our human kind. Every climate, every continent, every type of human being finds a place inside the British Empire, and thus a description of it as the whole world itself in miniature is justified. When this conception of the British Empire has become familiar to the reader, he will be able to understand that the Empire is the greatest achievement hitherto recorded in human organisation and that its existence and its future progress are matters of vital importance, not only to its own peoples, but to the whole world. Therefore our study in this book is of the British Empire as the organisation of a quarter of the world's surface and peoples in one political, economic, and spiritual system. This vision of the Empire will, of course, have to be justified, but it is, at any rate, the only satisfactory and adequate view of it to-day, and still more, in the future.

It is very necessary that we should have quite clear in our minds that the British Empire is first and foremost the people who owe common allegiance to the one monarch. Behind all political speculation and all economic policies stands the reality—human beings seeking food, shelter, security, and freedom to live their lives in such comfort as the powers of mankind can now make available to them, in a word, striving to secure the

conditions, moral and material, which will enable them to reach out to the highest life of which humanity is capable. Unless all our thinking is built up on this solid foundation, it can be nothing more than fantasy, airy imagination with no roots in any solid earth. We are to see how far the union of so many and such very different peoples inside the British Empire does now, or can in the future, help them all to gain the objectives which they seek. We must see how far the natural bonds of union of which we have spoken are effective throughout this great human complex, and where and to what extent these can be reinforced by other bonds forged by men's own mental and spiritual activities, or by the slow, irresistible progress and development of the great society itself in which they live. We shall reach valuable and practical conclusions and be able to see something of the truth of things, only if we bear always in mind the thought that the words, 'the British Empire,' are a sort of mental shorthand for five hundred million people with their hopes, and fears, and conditions of all sorts. If we do not do this, we shall fall into what Lord Morley once called 'the abstractions of metapolitics.'

Nevertheless, a study such as this cannot possibly be kept entirely clear of abstract thinking. One of the main purposes of this book is to show that speculation in both political and economic science has now to venture forth into new fields, to formulate new principles, and to lay new foundations for its own future progress. Mention has already been made of the imminent importance of laying securely the philosophical foundations of the British Empire. At first sight, this may seem to be an exercise completely devoid of any practical value. We shall see shortly that this view is entirely false, and that,



on the contrary, we must have ideas as to the character and the ultimate objects of our great association, which will satisfy the most searching tests of our reason. Only then shall we be able to work and plan for the future of the British Empire with the strength which comes from the whole-hearted conviction that what we are doing is right. But, of course, our inquiry into the deepest foundations of our own great society must lead us on to the wider inquiry into the principles on which the association of all the nations of the earth, and the relations between them, are based. This is the work which lies before political philosophers to-day and in the future. Throughout this book will be found many illustrations of the great truth that the conditions of life and the interests—material and non-material—of all nations are so closely interlocked and interdependent that the political theory which is based on the sovereign nation-state as the natural and inevitable political unit must be thought out again from the very foundations and rewritten. The same is true of economics. In the first chapter will be found as full a description as space permits of the bearing of scientific and technological progress on this subject, and of the way in which politics and economics are entering, so to speak, into chemical combination with each other. This chemical metaphor is the only one which can be used for the process which is now going on in these departments of human life. It is not enough to say that national policies are being increasingly influenced by economic necessities, or that economic policies are being increasingly determined by the balance of political forces inside each country. The two have literally entered into combination with each other. No clearer exposition of this development could

be given than is to be found in the apologia of the spokesmen of the Fascist and Nazi regimes, of the 'New Deal' in the United States, or, indeed, of certain developments in our own and other British countries. We shall see how entirely necessary and unavoidable is this development. It is one of the major conditions of our life to-day and in the future, and our thought must accommodate itself to this fact. The State exists, as Aristotle said, to ensure the 'good life' for its citizens. The policy of the State, in Aristotle's view, was an extension of the domestic economy. For him there was no distinction between politics and economics. From the tiny city state of ancient Greece to the giant nation and empire states of to-day and the world society of to-morrow is a far cry, but they meet at this point. The political and economic thought of the nineteenth and pre-War twentieth century took shape amid conditions, and was based on ideas, very different from these. Particularly in England, there was a tendency to concentrate attention on the State as primarily the creator and guarantor of the moral well-being and the political and personal freedom of its citizens. In the economic activities of the citizens the part to be played by the State was reduced to the bare minimum. These were regarded as being peculiarly the province of the private individual, and the doctrine of enlightened self-interest became the corner-stone of the classical political economy, and of its philosophical counterpart, utilitarianism. It is true that, decade by decade, certain flagrant abuses could no longer be tolerated by the public conscience and had to be redressed by Factory Acts, Trade Union legislation, and the like, but these were not regarded as any serious challenge to the whole doctrine of *laissez-faire*.

To-day, however, the basic principles and the practice of *laissez-faire* have not only been challenged all along the line but have everywhere given way. Yet the real reasons for the fall of *laissez-faire*, even in its last strongholds, are still not generally understood. So far from its disappearance being due to temporary or secondary causes, as is commonly supposed, the all-but-complete elimination of *laissez-faire* is a sign that the conditions which produced and sustained it have themselves passed away. All over the world, in these days, governments and individuals are struggling to readjust their countries and their lives to new and strange conditions, whose character is not yet perceived and understood. Problems which are essentially common to the whole world are being attacked piecemeal by individual countries whose leaders, naturally enough, look only to the immediate and peculiar interests of their own people. In these circumstances, the great common problems which face all the nations become inevitably more difficult and complicated. The truth is that before these problems can be attacked with any hope of success they must be made the subject of scientific thought which will reveal their true character and thus indicate the lines along which their solution is to be sought. Briefly, it may be said that both political and economic thought will find many of their old positions untenable and their old principles of doubtful application to the new conditions which have arisen. Both political and economic theory have been based on the conditions of a state of things which is either stable or which changes so slowly as to be indistinguishable from a stable order of things, and in the past—almost indeed, up to our own days—the conditions of human existence, both political and economic, have

been essentially stable. The further we go back into the history of humankind, the more stable and unvarying do conditions of life become over long intervals. In the last few years, one branch of science has been uncovering the origins of the human race itself, and we know that change and progress and development among our earliest ancestors halted for fantastically long periods of time. In a hundred thousand years, so far as we can tell from the evidence available, there was little or no change beyond the acquiring of additional skill in chipping stone tools or adding one or two additional simple instruments to the existing scanty equipment. A whole geological age—the pleistocene—whose term is numbered in hundreds of thousands of years, began with our ancestors as nomad hunters using instruments and weapons of unpolished stone and ended with them still nomad hunters and still using implements of unpolished stone. It is true that as time went on the pace at which change took place always tended to accelerate, but, except over very long periods, progress remained almost imperceptible. Indeed, there are races of men now living whose mode of life and general conditions have not changed appreciably in thousands of years. But to-day, over the vastly greater part of the world, changes are taking place at a bewildering pace. Moreover, they are effective changes, for they alter the conditions under which we produce all that pertains to our material welfare; they alter the established balance and harmony between the different classes inside any one country; they set up new kinds and new conditions of relations between different nations, and, above all, they affect deeply the ideas which men have on all these things. Also—and this is a point of vital importance—

the speed at which these widespread changes are taking place calls for corresponding speed in our physical, our mental, and our spiritual reactions to them.

At all such turning-points in the world's history as the one in which we are now living, the need has arisen for a new adaptation of political and economic thought to the new conditions of life. Plato's 'Laws' is the result of such an adjustment by the greatest thinker of all time. To the Hellenic world, the Peloponnesian War was as great a disaster and as deep a dividing line as the World War has proved to be for us. The old City State had perished, partly owing to natural causes, and partly because of the moral weaknesses of its ruling citizens. Hellenism, threatened from both east and west, saw its salvation in one thing only—the rise of a new form of State, the kingdom of Macedonia. The philosophic bases of a new form of authority and of new principles of political organisation had to be laid. So it was also when the Medieval Age gave way to the Modern, and political thinkers from Bodin to Locke had to evolve a philosophy of the nation-state in which the importance of the economic factor was beginning to be more clearly understood. At this time, too, Grotius began to lay the foundations of international law—the first attempt to organise on secular lines relations between sovereign States. Then, in the very dawn of the machine age, with the industrial revolution beginning in England and the War of American Independence and the French Revolution about to happen, Rousseau restated the relations between the individual and society, whilst the Physiocrats in France and the Classical Economists in England began to bring the industrial and trading activities of their age within the definitions of an ordered science.

Throughout the nineteenth century, the sovereign nation-state seemed to be a perfectly appropriate and effective unit from the points of view of national policy, international relations, and economic policy, both domestic and external. This view has formed the basis of our political and economic science hitherto, and now that changed conditions have made it inadequate and outmoded we must readjust our thinking to the causes which have falsified it. No serious student will now deny that international relations in the future must be ordered on quite different principles from those of the past. The time for muddling through by means of temporary devices—treaties, *ad hoc* agreements, hastily improvised machinery and so on—has gone for ever. The conduct of international relations must be fitted into a comprehensive system of world organisation such as will assist progress towards the growth of a world society governed by the general will of all civilised humanity. This thought contains a truth of vital importance to the future of our species. The world is a collection of nation-states and empires in *necessary* relations with each other. No amount of exclusiveness, no attempts, however determined, at self-sufficiency, can alter this. Therefore, these relations *must* be organised, and we cannot do this properly unless we have some rational theory of the ultimate form and objective of organised society.

Accordingly, in these latter years much devoted thought has been given by many students in many countries to the problem of the future organisation of our world. Many subsidiary problems are comprised in this all-embracing one. There are the problems which arise inside each nation-state as a unit in world society, and are concerned with the most effective form

of administration, with the equitable distribution of national income and efficient use of national resources, all of them sufficiently difficult and complicated to tax the quality of statesmen to the utmost. These are formidable problems and are linked with the other problems, more formidable still, which arise out of the political economic and other relations between the sovereign nation-states themselves. These two sets of problems are inter-dependent. On the quality of the statesmen and the people of the country depends the quality of that country's domestic and external policy, and hence the kind of influence which it exerts in the world at large. Therefore it is idle to consider the problems connected with the organisation of international relations and the future world order in general in isolation from the first group of problems, those which relate to national domestic policies. The ignoring of this all-important consideration has sterilised a very large part of the work of what we may call for convenience' sake the internationalist school of opinion. Schemes for the governance of the world on international lines have poured from the minds of thinkers and from the printing presses of the world in large numbers. Some of them are of wonderful ingenuity, and nearly all of them arise from high and sincere convictions, but almost without exception they are rendered useless by one fatal inherent defect. They are purely rational. They pay insufficient or no attention to those invisible and intangible, yet basic and invincible, realities on which all social and national—and, therefore, international—action rests. These ultimate realities are the inherited qualities and traditions of the men and women who compose any given nation. On these depend the

reactions of all these individuals, the way in which they will think and act on any specific occasion. It is impossible to say how far our conduct is governed by these elemental and instinctive springs of action, and how far by our power of reason.

What, however, is certain is that there are very definite limits to pure reason as a creative and motive force. The world, as we human beings know it, is the resultant of the interaction of all sorts of conditions, forces, influences—call them what we will—some of them physical and ‘natural,’ others artificial and created by human activities in the past and present. The human intellect, fortified by knowledge arising out of past experience, and impelled by moral, ideal, or merely instinctive elements, is at work all the time on this given environment, ceaselessly modifying it in one way or another. One of the most insistent calls at the present time is for an increase of intelligent volition in human affairs at the expense of the brute force of natural conditions and instinctive reactions. But it will be seen that at any given moment there are limits to the amount of change which can be made and that greater and quicker changes can be made in some directions than in others. It is, for example, easier to make changes inside any individual State than it is to make them in the field of international agreement or organisation, for, when we are dealing with foreigners, all sorts of non-rational, atavistic elements, of whose existence we are not conscious when dealing with members of our own race or nation, come into play. These elements will not yield to a frontal attack from the side of pure reason. They must be replaced by other elements which will favour the changes which we have in mind. This means, quite



simply, that we must take as our material for the building of the new order we want, that which is natural, that which is already the focal point of our human emotions and affections and ideals. We must visualise, that is to say, a process of evolution, and not one of mechanical construction. We know that for over two thousand years visions of a world-state have flitted through the minds of men, and we know also that the rise of nation-states and the visualising of them as 'powers,' with personalities and rights and ambitions and interests of their own, is a post-Machiavellian conception, a thing, by comparison, almost of yesterday. All this is true, and yet it is the nation-state which stands on those ultimate realities of which we have spoken. The world-state is still an intellectual conception and has not yet struck its roots into solid earth. Therefore, in thinking out the philosophic and economic bases of the world order of the future we must start with the existence of nation-states as our fixed point. These are the political units which engage the affection, focus the everyday activities, and enshrine the hopes and ideals of average men and women all over the world to-day. It is out of these nation-states, and from the hearts and minds of their people, that the impulse for a new and better organisation for political and economic purposes must come. Our abstract thought must take account of all these considerations, and our practical endeavour must be to train and strengthen and build on the natural forces working towards wider forms of association.

It is at this point that we come back again to the British Commonwealth of Nations, an expression which is fully explained in the chapter on 'The Philosophical Bases of the British Empire.' In the Commonwealth we

have a political entity composed of a number of different nations and peoples, which is yet something quite different from either a supra-national state or an *ad hoc* alliance or league. It owes its beginning to old instinctive impulses and primitive emotions. It has grown into its present shape partly because of the pressure of circumstances, partly because of the innate characteristics of British people all over the world, and, more recently still, by the application of that faculty which the Greeks called *επιμελεια*—that is, the application of rational thought to human affairs. It has become a commonplace of discussion to refer to the British Commonwealth as a League of Nations. The description is a true one, and it is even more true than most of those who use it know. In the League of British Nations we find realised the dearest hopes of the Geneva League, for in it there is nowhere to be found any trace of compulsion or any machinery of coercion. There is nothing that is not freely and spontaneously accepted by all its peoples. These different nations, whose peoples are not all of British blood, have, in fact, developed a general will to associate. This is the real foundation of the British Commonwealth; without it ties of blood, common traditions, and common loyalties must, generation by generation, have weakened and relaxed. But now we can look forward confidently to the further development and strengthening of this general will, bringing within the bounds of possibility ever-increasing co-operation in spheres of activity other than those in which at present it obtains. It is a hard saying, but a true one, that the only way to the world order of the future (which we all want) is the creation of a general will to co-operation among all the nations of the earth.

The saying is a hard one, because it means that there is no short cut to the building of a world-state. Generations must pass, and each generation must do its share, before the ideal which floats before the eyes of so many men and women to-day can be realised. It is a true saying because it enunciates a philosophical principle which is valid at all times and in all circumstances. In these considerations we find the true explanation of the increasingly close attention now being devoted by foreign students to the British Commonwealth as a whole, that is, to the Commonwealth as an entity with its own individuality and peculiar characteristics, inclusive of, and compounded of, those of all its parts, and yet distinct from them. All over the world men and women are now beginning to understand that the British Commonwealth represents not only something new in our experience, but also something of enormous importance for the future of the human race. Hence the increasing attention being paid to the study of the Commonwealth, and hence also the attempts now being made both in Europe and in the colonial world to apply to other societies the principles upon which it is based. Clearly, therefore, the time is ripe for an attempt to elucidate the philosophic bases of this new development in the organisation of society, and to study it generally as a movement in human organisation.

## CHAPTER I

### THE CAUSES OF PRESENT DISCONTENTS

OVER four hundred years ago, on the eve of an epoch as troubled and difficult as our own, Hugh Oldham, Bishop of Exeter, founded his great school in Manchester, and for its motto he chose the Horatian tag, *Sapere Aude*, 'Dare to understand.' That motto is the proper watchword of the whole world to-day, for it teaches us the all-important truth that we of this generation, and our successors, who have to accomplish the journey from one well-marked epoch of history into another, are engaged in a task in which moral and intellectual, and even physical, courage will be found to be of the very essence of wisdom. There are many points at which the twentieth century strikingly resembles the sixteenth, for then, as now, the old order in every branch of human activity was visibly giving place to a new one.

It is one of the commonplaces of discussion on present discontents to say that scientific discovery and mechanical invention have annihilated time and space. As a statement of fact this is perfectly true, but it is also a merely formal and empty statement. It does not tell us anything of the *effect* of such annihilation on the conditions of our lives, and this is what we want to know. The effect is seen in the profound disharmony now existing between the physical and the moral powers of

mankind. In other words, whilst the progress of scientific discovery and mechanical invention has, over a period of time, led to an increasingly rapid transformation of the physical conditions under which national and international economic processes function, and under which every kind of intercourse between the nations is carried on, national political systems and the organisation of international relations have not changed and developed at an equal pace. Yet it is clear that the transformations brought about in the physical environment call for appropriate changes in the human environment. These latter changes, however, are providing a supremely difficult intellectual and moral test for mankind. Our national political systems, and still more our relations with alien peoples, have their bases and effective sanctions in much that is non-rational and instinctive; in taboos, beliefs, prejudices, traditions and ideas that go back to the beginnings of our humanness itself.

Nothing but widely disseminated, accurate knowledge of the changes which have occurred in the conditions of civilised human life in the past two centuries, and unbiased, philosophic thought thereon, will enable us successfully to make the stern intellectual and moral effort required to overcome the non-rational inhibitions to progress in national and international politics. It is literally true that in some ways the world has shrunk to the size of a Greek city-state, for the voice of one speaker can be heard by all its people, and its doings can be brought visibly before them by means of the topical film which is broadcast speedily about the world by aerial transport. The outside world forces itself upon us, do what we may to evade it, and here it is urgently

necessary to recognise one deeply and vitally important aspect of this inrush of the outer world upon national isolation. It is this. For the most part, the voices of national statesmen and leaders are heard in countries other than their own only at times of crisis. Topical films deal largely with the dramatic and spectacular—which, all too often, are also the critical—happenings in foreign countries; and the newspapers, more especially those of the syndicated press which cater for the masses, give many of their headlines and prominent places to scares and rumours and unrestful happenings in all four quarters of the globe. Recently, the roaring, ever-growing spate of news has been mightily reinforced by the powerful new weapon of broadcasting. Thus, a ceaseless stream of information of varying degrees of truth batters daily at the minds and nerves of men and women all over the world. The psychological effect of this is very great. We feel that we are living in a world in ferment and that the welfare and safety of our country—whichever it may happen to be—are in constant peril. The instinctive reaction to this is to retire within our own limits and leave as little as possible to the hazards of the outer world. The force of this effect will not weaken with the passage of time. It will grow stronger. We, and our successors, must continue to live in a village with our minds influenced by the tittle-tattle, the feuds, the jealousies and the friendships of the village. Only, our village is now conterminous with the world, and all its happenings and all their effects are on a cosmic scale. The barriers of space and time no longer clothe the nations in a happy and protective ignorance in which each could go its way unmindful of the others except on rare occasions. To-day we know what is

happening in other countries as soon as it happens. We know, or think we know, how we shall be affected and therefore we feel that we must do something to counter those results of foreign activities which we believe will be harmful to ourselves. All over the world this is going on. The nations are trying to make themselves safe in military and economic defence, and every move towards safety made by any individual nation provokes countervailing measures elsewhere, and so it goes on, with increasing momentum, in a vicious circle. The more strenuously safety is sought in national isolation the less it is found, for the march of events is making all the countries of the world more and more dependent on each other's co-operation, in matters of military policy as well as economics. And, inside each country, the isolationist-defensive measures press hardly on all classes. On this side also, the position is inherently dangerous and demonstrably unstable. Can it be denied, therefore, that the age of the isolated sovereign nation-state, owning no obligations to its peers except such as it may admit for its own temporary purposes, and acknowledging no necessary loyalty to a Collective System composed of the whole community of nations, is over, and that the age of organisation for a world inter-dependent in all its parts and all its activities, has arrived? If our history books were written in modern terms, and the great movements in human affairs were reinterpreted in current language and with up-to-date analogies, it would be generally realised that the world is in the effective stages of a move from one age of human experience and organisation to another. The last move of a comparable kind was from the medieval to the modern age, and the analogy between these two move-

ments is strikingly close and complete. Then, as now, fundamental changes were being worked out in the philosophy of the State, and the balance of power therein, in the attitude of men towards religious and social problems, in the range and objectives of human knowledge itself, particularly in the physical sciences, and in the basic conditions of the world's economic system and in the economic organisation of each individual country. The moral world within and the physical universe outside each individual were being marvellously remoulded, expanded, and interpreted. Then, as now, the most dearly cherished beliefs and institutions of religion, politics, social relations, and science were being challenged. All these things are happening to us to-day and, just as the great metamorphosis of the sixteenth and seventeenth centuries left civilised men in changed relations with each other and with the governing authority in the State, with a new attitude towards religion and with a new conception of the value and position of the individual, so the same kinds of changes are now taking place in the basic conditions of our own moral and material life. But with us the changes are swifter and more catastrophic, because our powers of achievement, both for good and evil, are enormously greater than those of our ancestors of four centuries ago, and also because now the nations are far more closely in touch with each other than they were then, and are very much more dependent on each other. To-day, our world is a closed system, its territory appropriated and its natural wealth all earmarked. A shock to any one part is transmitted to all the others and, therefore, for us, the problem of the right organisation of international relations has become the master problem of all.



The impelling causes of both these great movements of thought and action, namely, that which ushered in the Modern Age of history, and that which is taking place in our time are, in essence, the same; they are both marked by war and great political upheavals, and they have as their long-distance objective the formation of political units appropriate to the deep-seated, many-sided developments in the moral and material conditions of human life and intercourse, brought about by the increasing command of mankind over their physical environment. In each of these two epochs, new ideas come to birth, new energies are liberated, new opportunities and a wider scope are provided for individual and national endeavour. The play and inter-play of these creative forces must so transform the conditions of men's activities as to lift our race on to a new level of possibilities with the inevitable accompaniment of new and very formidable problems of all kinds to solve.

It is well that we should know the fundamental cause of our present discontents at the outset of our study, because the march of events in the post-War period has shown only too clearly that attempted remedial action, both inside the nation-state and in international relations, has been concerned not with the fundamental, but with the secondary or accidental phenomena of the existing situation. This is seen most clearly in the repeated attempts made between the Genoa Conference of 1922 and the World Conference of 1933, to treat economic problems in isolation, and also in the habit of regarding the pre-War organisation and machinery of the world's economic system as the norm to which it is not only desirable, but actually possible to return. It is true that economists and politicians of the better kind in every

country have realised that vastly difficult obstacles are now set in the way of a return to pre-War arrangements by such things as the uneconomic transfer of wealth on account of war debts and reparations; by the redrawing of the political map of Europe involving, among other things, an increase in the number of European currencies from thirteen to twenty-seven, and the creation of 14,000 kilometres of new customs frontiers enclosing, for instance, the million or so inhabitants of Estonia, the two millions of Latvia, the three million six hundred thousand of Finland, and the six and a half millions of Austria; by the truly revolutionary changes in the technique of production and in the transfer and investment of capital; by the rise of manufacturing industries in countries where they had been hitherto unknown, and by other developments of the same kind. Yet, until recently, it was widely believed that these obstacles could be surmounted by tactful negotiations and by the exercise of general good will. It was even believed that some of them would disappear with the mere passage of time. Economic nationalism was regarded as a manifestation of innate human wickedness rather than as the symptom of profound changes in the conditions which govern the organisation of the world's economic and political systems. Therefore, for over a decade, the attempts to force the world economic system back into its pre-War frame persisted until the failure of the World Conference of 1933 warned us, in unmistakable terms, that escape from our troubles, by way of *ad hoc* universal economic agreement, was closed completely and finally. But even now the true reasons for the failure of the 1933 Conference and its predecessors are not generally perceived, and the mistaken

view of economic nationalism still persists in this country and elsewhere. To attempt to fix blame or responsibility for the failure to achieve valid solutions of our post-War economic problems is worse than idle. It is dangerous, because it exacerbates opinion, hides the truth, and leads to persistence in error. During the years which passed between the Genoa and the London conferences technical economists, politicians, and men of good will all over the world have insisted that material welfare could be restored if only governments would throw down tariff barriers, return to the gold standard, and let central banks co-operate. It is true that these three things are the chief pillars of the world's economic system and that in the end the nations must come to some agreement about them. But there is no agreement about them to-day, and there is no prospect of any agreement in the near future. Why is this? To say that agreement is prevented by the existence of economic nationalism is no answer to the query. Economic nationalism is, indeed, the subject of the question, for it is merely the visible embodiment of all our discontents which successive international conferences have set out to cure. Until we come to a clear understanding of the true character and roots of economic nationalism, we shall never be able to reach a correct judgment on the question of its control and supersession. In a sentence, it is the visible, phenomenal side of the great revolution in human affairs and organisation which is now taking place. Economic nationalism is nothing less than this, but it has a secondary, a short-period aspect which is almost unanimously regarded as its real and only aspect. This is the aspect which reflects the disturbance due to the War.

It would be folly to attempt to deny or minimise the strength and baneful influence of that great disaster on the course of human affairs, but even the War was nothing more than a catastrophic sign of the working of those elemental forces which we are now studying. Naturally, such a violent upheaval completely shattered the delicate adjustment of international economic and other relations, and produced tremendous repercussions inside most of the chief countries of the world, and it is true that the same adjustment will never be brought about again, nor will the countries affected by the repercussions ever regain the same old internal conditions. Nevertheless, the War was no more than the event which marked the inception of these changes, of which the prime cause is found in the forces which produced the War itself. Without the War, each country would still have had to adjust its economic and political systems to changing conditions, but now the adjustment has been made vastly more difficult.

The achievement of a universal, synchronised movement in economic activities must in any case have presented a problem of surpassing difficulty to the different nations on purely technical economic grounds and without any complication from national-political considerations. A simple illustration will show how very difficult it is to solve the technical problems presented by international economic co-operation. In recent years, much controversy has been aroused by the question whether international co-operation should aim at keeping prices steady at a given level or whether they should be allowed to fall as production increased. Both these alternatives have found favour with different groups of economists. But any attempt to put either of

them into practice came up against the formidable obstacle set by the lack of uniformity in the rate of increase of production in the different countries. This rate varied from country to country. Thus, before the slump, the statistician of the Federal Reserve Bank of New York calculated that production in the United States of America was increasing at the rate of 4 per cent. per annum, whilst in the United Kingdom the rate was only 2 per cent. In other countries, other rates prevailed. Assuming these figures to be accurate, the United States could support a fall of prices of 2.9 per cent. per annum whilst in the United Kingdom, owing to the lesser rate of increase of production, such a fall in prices would lead to serious disharmonies in the economic structure. And this would happen in varying degrees in all other countries. Naturally, protective or remedial measures would be taken, and so the whole system of international economic relations would be thrown out of gear. Other illustrations could be given to show that the problems of international economic co-operation cannot be solved by good will alone, be the will never so good. And, unfortunately, one of the results of the War has been to rob us of even the help which we might have had from good will. To-day there is a fragmentation of the world's economic system such as has not been known for some generations, and the urgent need in economic, as well as in political affairs, is for consolidation, a word which in this context has all the moral attributes of co-operation, but implies a different and more fundamental organisation of relations between the different countries of the world.

Let us rid our minds, therefore, of the delusion that economic nationalism is a sudden and somewhat

accidental phenomenon. On the contrary, it represents the outcome of a long, continuous, and inevitable development of ideas concerning the basic duties and functions of the State, and is bound up inextricably with the growth of modern forms of democratic government in the leading industrial countries of the West. Clearly, therefore, we have here something which lies at the root of human political organisation, something very different from the widespread view of 'economic nationalism' as a mere aftermath of the War. Of course, the War profoundly affected the development of economic nationalism by posing a set of unique and difficult problems for immediate solution by most governments in the world. The attempts to solve these problems, which require no description here, and, in themselves, need only have been temporary disturbers of the world's economic peace, brought into play a number of new or hitherto untried economic weapons of offence and defence whose use has greatly aggravated the seriousness of the original problems and gravely disturbed international relations of all kinds. Nevertheless, even had these peculiar after-the-War problems never arisen, there are grounds for believing that the world would still have had to pass through a period of economic warfare, marked by all the characteristic features of the present state of anarchy—higher and yet higher tariffs, quotas, embargoes, clearance certificates, exchange restrictions, competitive currency depreciation, and the rest. Only, the descent into the depths would have been accomplished more slowly and deliberately, and the various moves would have been part of each country's economic strategy rather than the half-instinctive actions of soldiers suddenly swept into a *mêlée*. Rationalisation and mass

production had to come; new entrants would in any case have won their way into the ranks of the industrial countries; mechanisation of agriculture and the drift towards the towns would in any case have given rise to policies of protection and development of agriculture such as we see to-day: the control and restriction of migration were always inevitable after a certain stage had been reached in the economic and cultural development of such countries as the United States, Canada, and Australia; decade by decade we have seen the State in every advanced country intervene more and more directly and comprehensively in economic activities. These and other unavoidable developments, with their profoundly disturbing effects on international economic relations and national policies, must have led ultimately to a state of things very like that which faces us to-day. To make this point clear we need consider the action of only one of these elements of disturbance—mass-production and rationalisation. Its immediate effects in ‘technological’ unemployment, and its remoter effects in intensifying competition in world markets, with fatal results for the weaker and less efficient industrial countries would, even had there been no War, have driven governments into direct and comprehensive intervention in the economic activities of their countries, both to avert the dangerous social consequences of prolonged and extensive unemployment and also, in some cases, to protect the very fabric of their industrial system. The effects of the other factors mentioned above would have been similar to these, and would have acted cumulatively with them to compel governments to undertake intervention of the kind and scope which we know so well to-day. Thus, improvements in the tech-

nique of production and the general trend of economic development could, by themselves, have brought the world into an economic position very similar to that in which it now is, even had there been no deeper and more fundamental forces at work.

Such forces, however, were at work. Just as the later part of the medieval period was one of preparation and slow movement towards the modern age, so a great part of the time covered by the latter has been a period of political, economic, and philosophical preparation for the age of State control into which we are moving, when the economic interests of individuals will be more fully harmonised with those of the community as a whole than they are at present, when also, economic policy, that is the security and improvement of the material foundations of the 'good life,' will once again be in the forefront of the attention of governments. The roots of these changes on which we are now embarked go back to the seventeenth century, when the philosophical bases of the 'modern' State were firmly laid and when some of the most effective and characteristic of our present-day economic instruments first began to be shaped. With the last decades of the eighteenth and the opening decades of the nineteenth centuries, we enter demonstrably on the path of those fundamental, increasingly rapid and, in these post-War years, catastrophic developments which have already transformed national, political, and economic conditions, and the foundations of international relations, and are still far from being worked out. For it was during those decades that privilege began definitely to give way to the principles of democracy as the foundation of government; that the industrial revolution accomplished the application of power to



industry, thus inaugurating the machine age and destroying the possibility of national self-sufficiency and isolation and, lastly, these years witnessed the completion (with few exceptions) of the system of nation-states in Europe and America which, with some additions—by far the most important of these being Japan—still forms the Commonwealth of Nations to-day. These three developments are the parents of the conditions to which we have to accommodate ourselves at the present and in the future. The growing democratisation of government everywhere meant the extension of political power to, and ultimately its control by, a new section of the people, and that the most numerous, the most exigent in its claims and, above all, the most vitally—literally vitally—affected by the ebb and flow of economic prosperity. The industrial revolution congregated great numbers of this new section of the population in the manufacturing towns and, out of their propinquity, they developed common interests and common instruments for economic action and, lastly, common political aspirations and instruments for their realisation. The prodigious growth of population during the nineteenth century—it multiplied threefold in Europe, and many times over in America—gave added pace and strength to the influences which were already at work producing profoundly important political changes inside each nation-state as the result of the shift of power from the classes to the masses. It was inevitable that, sooner or later, the new masters of the State should be able to insist on the State's applying its authority to the betterment of their economic conditions and, of course, this is what has happened on a continually expanding scale. Lastly, the whole ideology of the nation-state, particu-

larly as affected by the new imperialism of the eighties and onwards, has been such as to foster particularist ideas and interests and prepare the way for exclusive national economic policies.

In this transformation of the national government into a partner in the national business firm—the other partners being labour and capital—three main sets of forces are at work. First, there is the political set, and here we notice as a factor of the highest significance that, just as government goes into industry, capital and labour go into government. Further, both these latter follow parallel lines of development into bigger, stronger, and wealthier aggregations, both develop international connections and affiliations—those of capital, however, being more effective—and both look more and more to the State, as time goes on, for the establishment or maintenance of conditions desired by them. In the purely industrial and economic sphere, the sheer logic of technical and scientific invention and discovery reinforces these tendencies. Capital and labour drift further and further apart on an ever-widening gulf of contrasted principle—the principle of the control of industry—with the government tending, in varying measures, of course, in the different countries, to become a partisan as one side or the other gains the advantage in the struggle for political power. It must, however, be emphasised that, prior to the War, government policies and actions in regard to these matters were purely empirical. The obvious dictates of humanity, or the pressure of this or that section of organised political opinion, compelled them to undertake specific reforms or adjustments, always with limited ends in view. Nevertheless, the cumulative effect of innumerable

actions of this sort caused the *laissez-faire* theory of non-intervention or, at any rate, of minimum intervention by the State, to diverge more and more widely from the actual practice. This is true of every country in respect of its domestic economic policy, and it is to some extent true of almost every country—the chief exception being, perhaps, Great Britain—in respect of its international trade. For, almost everywhere, the expediency of indirect government assistance to the national industries, chiefly by means of protective tariffs, was recognised. The governments of the United States and France carried this principle into the foreign lendings of their nationals, and exercised as close and direct a control, for both political and economic purposes, in this field as was technically possible. It will be easily understood that protective tariffs and government intervention in overseas lendings mean no small advance into the realms of business and finance and into at least an understanding with certain private interests.

This particular kind of partnership between government and industry did not affect Great Britain and the other Free Trade countries before the War. But the industrial and agricultural systems of all countries were increasingly affected up to the outbreak of war by the numerous regulative and restrictive acts of legislation which every government was obliged to undertake under the pressure of events or of one section or other of public opinion. Factory and Mines Acts led the way, and we know from our own history what an intolerable interference with economic and even personal freedom they were felt to be in certain quarters. Regulation of children's and women's labour followed and also, beginning in England, but ultimately carried much further by the

United States, the important series of legislative interventions in industrial and distributive processes in the name of public health. Railway construction produced everywhere a crop of problems whose solution, obviously, could not be left entirely to the private interests concerned. Some governments, notably the Prussian, themselves became owners of railway systems, and even in England the government thought fit to pass an Act in 1844 giving it the option to purchase all railways in the country within twenty-one years. In most countries, certain freight, technical, and safety conditions and standards were laid down by law. But perhaps the greatest breach in perfect *laisser-faire* and a clear prevision of the coming nuptials between political action and economic interest is to be found in the Trade Union legislation of certain countries, particularly our own. In England, the Trade Union Act of 1871 represented the culmination of half a century of struggle and gave workers an unequivocal right to associate for the purpose of raising their wages. In other words, the Act destroyed the unrestricted individual competition which was the corner-stone of *laisser-faire* economics. In the opposite direction, combinations of capital, and the threat to public interest from great trusts and combines, occupied the attention of legislators, particularly in the United States and, still later, cartels and shipping rings, and other analogous organisations brought governments still deeper into business either as the ally of big business or as tribune of the people. After the regulation of women's and children's work, and the legalising of Trade Unions, legislation to ameliorate the lot of sweated labour was inevitable, and this again represents direct and peculiarly significant intervention by the government in the

economic sphere, as will become clear when we consider the broad social and political implications of State intervention in wage-fixing. In this country, the administration of the law relating to 'sweated' trades has led to a development of peculiar interest for our present study, since the British Trade Boards are an example of semi-private and semi-State industrial organs, having certain affinities with the public utility corporations which are, perhaps, the most important and characteristic of all the British contributions in this field.

Passing over numerous minor examples of pre-War government intervention in economic affairs, we need touch only on the vastly important question of social insurance and welfare legislation. This was carried to its furthest extent in Germany and Great Britain and is a clear and striking example of the union of economic, political, and social factors. Of quite peculiar interest in view of contemporary developments are certain of Germany's commercial treaties from the beginning of this century onwards.

Thus, long before the War, the freely-competitive, self-regulating economic system of theory had everywhere been deeply undermined. Further, government intervention tended all the time to take wider and more effective action and to seek ever more fundamental objectives, a development which was necessitated by the changing balance of power in each State, by the march of events at home and abroad, by the continually growing organisation and integration of both capital and labour, and by their ever more direct action, both in their own domestic politics and in the field of international co-operation. The rising tide of socialist, syndicalist and allied organisations in the pre-War decades, and the

widespread labour unrest in the years immediately preceding 1914, pointed to a coming period of economic upheaval and change. The change in the secular trend of prices from the end of the last century, affecting, as it did, real wages, was a contributory cause of these disturbances. But their true bases are the politico-economic developments which we have been tracing, themselves the results of technical and scientific progress and of a new conception of the functions of the State. The War might call a temporary halt in this progress, but its ultimate effect could only be to strengthen and speed its progress.

It is a great mistake to regard war-time State control of economic life as no more than a temporary distortion of an almost perfect pre-War individualism. We have seen how the latter was riddled with State intervention, and now we have to notice that the return even to the pre-War system was never completed. Some war-time restrictions were continued either unchanged or modified and under different names. One example that will appeal to British readers is the breach in the traditional British free trade policy made by the McKenna duties and by the passing of the Dyestuffs Act and the Safeguarding of Industries Act in 1921. Everywhere, in fact, there is to be noticed a definite change in the pre-War attitude towards the scope and objectives of State intervention in economic activities. This is not surprising. In the immediate post-War years, economic demobilisation had not been completed before the first post-War slump supervened, whilst the great inflations, with all their disturbing influence on the world economic system, had still to run their course. Moreover, after the Russian Revolution and its *sequelae*, and, later, the

inauguration of Fascist, Nazi, and other dictatorial regimes in some European countries, ideas on the subject of the rôle of the State could nowhere be the same again and no country could entirely escape their repercussions.

These various influences showed themselves in the economic sphere at first in a general increase of tariff barriers, but later, with stabilisation of currencies and a return to more normal conditions, there seemed some disposition in most quarters to consider the lowering of tariffs and a return to the Most-Favoured-Nation treatment. But, of course, all this was changed by the 1929 crisis, which gave rise to conditions fatal to such liberal aspirations.

It is impossible to survey the application of all the new post-crisis instruments of economic warfare all over the world, but the growing fondness everywhere for quotas is worthy of notice, because of the greater control which they allow not only over the amount but also over the direction of foreign trade. But State action in international trade is not only restrictive. It has a 'constructive' side, which is to be found in such things as bounties on exports, credit facilities, where buyers demand longer credit than sellers can afford to give, organisations for financing export industries, and other expedients of that kind.

Side by side with the growth of these measures in international trade, there has been going on a radically important development inside each country in the direction of ever-increasing government intervention in economic life. This shows many phases in the different countries, ranging from State ownership (which Poland, for example, has carried to great lengths), through State supervision and control, down to varying degrees

and kinds of State encouragement and assistance. In some countries, there has been a complete change-over from the individualistic to a 'planned' system of economy. But even where State control and planning have not gone to such lengths, the extent of government intervention in recent years is remarkable, and future movement must inevitably be in the direction of greater State control and not towards a return to the individualism of a past age. This belief is sustained by recent experience in Great Britain, for example, which, of all countries, is least open to influence by doctrinaire ideas and where, moreover, democratic government is not likely to be overthrown by dictatorship either from the Right or from the Left. Yet, in Great Britain, in late years, we have seen the government actively intervene in the operations of manufacturing industry, coal-mining, and all forms of transport. In its irruption into industry, the government has used as its chief instrument those new public-utility corporations—semi-autonomous, semi-controlled bodies—such as the Port of London Authority, the B.B.C., the Central Electricity Board, and the London Passenger Transport Board. Of peculiar interest, as a typical example of British compromise, is the avoidance of the nationalisation of the coal industry and its possible development, under State control, into something analogous to a public utility corporation. In agriculture the various marketing boards are sufficiently well known to need no description here. The provisions of the Wheat Act of 1932 and the part played by the government in establishing the beet sugar industry are also well known. When all this is considered, together with the important post-War developments in social and labour legislation, it will be



seen that, even in the most individualistic country now left, the whole trend of past and present development is inevitably towards a still more complete identification of the State with economic life. Analogous developments could be traced in other, at present 'unplanned' countries, did space permit. Clearly, therefore, planning has begun, even in countries which are without formal plans. Only, unfortunately, in the majority of cases it is at present 'planning without a plan.'

That the present position is the necessary outcome of the working of deep-seated natural forces, and is not a temporary disequilibrium induced by the War and its aftermath, is still more obvious when we consider the avowedly 'planned' countries. A year or two ago, there were only two of these, namely the widely contrasted planned systems of Russia and Italy—the Communist and the Corporative States. To-day, Germany and the United States must be added to their number, which will be further increased in the near future, since, in certain eastern European countries, notably Poland, the ideal of comprehensive State planning has recently attained much prominence. The Russian system is, of course, by far the most thoroughgoing of all planned economies, but there are increasing signs that the Italian model is the one most likely to be generally followed. The philosophical bases of the Corporative State have been traced, showing it as an evolution—forced, no doubt, but, nevertheless, genuine—from the past. In complete contrast with the Russian system, it leaves private initiative and the profit motive as the fulcrum of all economic activity. The future is held to be determined by men's ideas of it, and the highest place is assigned to the *forces directrices* which express primarily the human

faculty of foresight and the power to shape the future. Political action is a typical expression of these forces, since it is the very essence of economic life. In this philosophy, the union of politics and economics is complete, and the record of the Fascist government in industry and, above all, in the great 'wheat battle' shows that it is a philosophy capable of being translated into action. The German 'totalitarian' State has some aspects in common with the 'corporative' State, but differs widely from it in others. Its philosophy has not yet been worked out, nor, indeed, has its economic policy, which varies between hazy theories of self-sufficiency on the one hand and yearnings after a restoration of the pre-War international economic system, based on the satisfactory working of the Most-Favoured-Nation Clause, on the other. The political side of the Nazi programme has been accomplished by the transformation of the Reich into a unitary State, the destruction of parliamentary government, and the violent elimination of political and press opposition. The dictatorship in Germany is, for the moment, as complete as in Russia or in Italy. But, unlike the Fascists, Nazis still display leanings towards the State socialism which their leaders once professed. It appears likely, however, that the drift in future will be towards the purer doctrine of the 'corporative' philosophy.

In the United States, we see clearly the beginnings of a 'planned' system. Even before the prodigious interventions of the State in economic life since 1929, such things as Anti-Trust Legislation and the operations of the Inter-State Commerce Commission had already taken the government of the United States deep into economic control. Mr. Roosevelt's policy has made

explicit what was formerly implicit, and seeks to extend governmental control and regimentation to every part of the economic system. Further, as Mr. Roosevelt himself has repeatedly declared, the principles on which the National Recovery Act was based are meant to be permanent features of American life. The famous decisions of the Supreme Court in May of this year have held up the President's programme for the moment, but it cannot be doubted that some constitutional way will be found out of the present *impasse*. No very profound economic analysis is needed to show that the whole fabric of American political and economic life is being permanently altered. By the fixing of minimum wages and hours of work, one of the flexible elements in the price system disappears, and the necessity to fix prices soon follows. Indeed, in some of the codes, the President has the option, in certain circumstances, of fixing prices. Next, with prices rendered immobile as between the different industrial concerns, one of the characteristic elements of competition is sterilised and, sooner or later, the need for the allotment of output among the various units of industry is felt, particularly by the smaller concerns, which are now deprived of their competitive advantage by being forced to pay the same wages as the big concerns and by being forbidden to lower their prices. Another natural development is the central selling agency, such as was formed at quite an early stage in the New Deal, *e.g.* for a great part of the soft coal industry. The steps to a distinctive planned system of State control and administration of industry in the U.S.A. are thus logical and, apparently, inevitable—if the N.R.A. programme succeeds. If it does not, we may reasonably expect a planned economic and political

system of a much more thoroughgoing type, one which will in all likelihood have affinities with the Italian system rather than the Russian.

Brief as is this account of the origins of economic nationalism it suffices to show how inevitable a development it is, and also, how necessary it is that it should no longer take place haphazard and uncontrolled. The wider understanding of these truths which is now coming about provides the motive force for much of the contemporary movements in favour of planning, and this in turn calls for some examination.

'Planning' is a word of vague significance and, as used in current polemics, may mean anything, from a thoroughgoing five-year plan of the Russian type down to attempts to regulate wages and labour conditions as in the U.S.A., or to weed out the redundant or least efficient units in an industry, which is one of the forms which 'planning' is taking in Great Britain. It is clear that there will have to be different plans to suit the conditions of different countries. With the simple, somewhat primitive economic system of Russia the comprehensive, centralised, and highly bureaucratic five-year plans were not inherently fantastic. But the marvelously complicated systems of countries like the United Kingdom and the United States of America call for completely different kinds of 'plans.' Half-way between these extremes come countries like Italy which are much more industrialised and economically developed than Russia but less so than the two Anglo-Saxon countries. The Corporative State represents, therefore, a more comprehensively planned economy than any that is possible for them. For countries like the United States and the United Kingdom, regulation or control,

rather than planning, is the appropriate word. A simple illustration will show what this means. A hundred years ago, Carfax in Oxford was a sleepy cross-roads where the grass grew unchecked in the vacation and domestic animals or children could wander unharmed. To-day, in term time and vacation alike, Carfax is a roaring hell-whirl of motor traffic, and would quickly become a shambles without the vigilant control of the police. Like the traffic on our roads, the economic systems of all countries have speeded up and grown into aggregates of vast numbers of more or less powerful units of production and distribution which need control if they are not to be continually clashing and damaging or destroying each other. Surely it is not open to question that there must be economic pointsmen for every national economic system to-day and in the future. It is to be hoped that ultimately it will be found possible to have them for international economic relations also. The degree and kind of authority exercised by the pointsmen will vary with the conditions which confront them. With these limitations on the meaning of the word, it is as clear as the sun at midday that national economic systems must be planned and that national planning of necessity involves international planning also. In future, State intervention in economic life will not be regarded as an infringement of economic laws or as a deplorable but inevitable accompaniment of national crises. State regulation will be one of the normal and natural factors in economic life, one of a trinity of which the other two are labour and capital. The sooner this is realised and accepted, the sooner will national and world economic systems become adjusted to the new conditions of economic life set up by the progress of

scientific discovery and mechanical invention. Existing 'planned' economies, of course, fully recognise this, and it is a fundamental position of Nazi and Fascist philosophy that there should be no talk of State *intervention* in economic life, since that word assumes that the State is entering into a sphere from which it ought to be excluded. The new philosophy of dictatorship maintains that the State and the Community which is the Nation, are one and indivisible, and that regulation of the nation's economic life is a necessary function of the State.

Whatever may be the truth of this argument as far as the past is concerned, there can surely be but little doubt about its truth for the future, although, of course, we need not accept the political system of the Nazi and Fascist States. We need only consider the tremendous social fact of unemployment under modern conditions in all highly developed nations, and its bearing on this theme. This point has been put with inimitable force by Lord Snowden when, in a speech at Cobden's old home on 7th July 1934, he drew the attention of his countrymen to the relationship between social and economic factors and asked what abstract rights meant to the man who did not know whether he would have any work to do the next week. They mean little or nothing to him, and this is one of the governing factors in the psychology of the majority of civilised human beings to-day, a factor which is powerful enough to upset constitutions and political regimes and one which will dominate national policies and international relations with increasing strength as time goes on.

Here it is that we come to the real driving force behind national economic policies. If the laws of economics and the teachings of professional economists clash with

the beliefs and desires of men seeking work and a livelihood for themselves and their families, so much the worse for the laws and the teachings. Let it be always remembered that to-day civilised men and women can pool information and share experience as never before in the world's history. The new means of communication have seen to that. The progress of a great strike in the United States, the economic conditions of every country in the world, and the ebb and flow of welfare everywhere are brought daily to scores of millions of listeners by broadcast news and by newspapers, and soon afterwards, the news reels in the cinema theatres bring visibly before them many of the incidents which they have already heard about on the wireless or read in the papers. The impact of these new means of communication is terrific and is every day shaping opinion and so deciding action. What does this mean? It means that the State and the Nation must be, and are, one and indivisible in economic activities, which form the material side of life. This is the truth and it must be regarded as of the very essence of our thought on national and international economic policy. We know how Fascist and Nazi thinkers have accepted this, and how their States are seeking to give expression to it. Other great countries—the United States, Great Britain, and the rest—will give expression to it in their own ways and by their own means. It cannot be denied that we have in all this a gravely dangerous threat to the peace of the world, for economic nationalism in its present phase is a *sauve qui peut*. To-day there is no national economic system which is not insecure, and economic insecurity is the parent of political insecurity.

These words are written in the shadow of events

which threaten to carry a helpless world into war once more. This supreme calamity must be avoided. The prevailing conception of the Nations as necessarily engaged in a struggle for the survival of the fittest is a crude misconception of biological teaching and must give way to the truer view of them as fellow-workers in a common cause. To substitute the latter for the former conception will not be easily or quickly accomplished. There will have to be a period of intellectual and moral preparation, a period in which we must 'dare to understand.' For, only through understanding can we attain the state of mind which will make possible the replacement of rivalry by co-operation. But even when understanding has been attained, it will find no widely held and deeply cherished ideology of a world commonwealth to be translated into institutions and working practices. It is here that we perceive the true value and meaning of the British Empire, which is a world commonwealth wherein artificial or forced relations between its component parts are all the time being changed into ties of mutual co-operation, consciously and freely accepted by all concerned. Further, institutions appropriate to these changing conditions are coming into existence, and *ad hoc* arrangements and agreements are not of the essence of its being. In succeeding chapters, this view of the Empire will be fully expounded. At this point, all that is necessary is to state that the ideology, the creative force that is, of a world-state, can be studied in a living Commonwealth of Nations, one which is able to inspire and guide those who do not themselves belong to it, and that by providing a concrete example of what all the world might be, one great society receives not only its justification, but its guarantee of permanence.



## CHAPTER II

### THE EXPANDING COMMONWEALTH

(i)

#### *The Philosophical Basis of the British Empire*

OUR inquiry already has led us to believe that the future progress, and, indeed, the continued existence of civilisation, depend upon the successful achievement of two inseparably connected developments, the one in the national, the other in the international sphere. The former is the development which was foreshadowed in the discussion on economic nationalism, namely, the modernisation of the whole machinery of the State, to enable it to carry out efficiently, and with justice to all classes, the tasks imposed upon it by the strange, new conditions of the present and the future. The other development is nothing less than the stupendous process of creating a general will of all the nations of the earth, of fostering the growth of consciousness, common to them all, that they are co-operators in a joint task, and of finding means of giving expression to this general will and common consciousness. This necessary development in international relations of the future must be stated in this idealistic form, for, like the linked development inside each nation-state, it is essentially a spiritual movement. To use the old, but still expressive phrase, 'a change of heart' will be required of all men. Once the

change of heart has been accomplished, the new spirit which has been born will itself create both the necessary institutions in which to express itself, and the machinery through which the institutions will work. Very little serious reflection is needed to show that this is a perfectly practical argument. There is nobody who will deny that progress in civilisation will become impossible unless the different races of mankind can find some way of co-operating in all those kinds of activity which must perforce transcend national boundaries. Few, or none, will deny that such co-operation will, and must, be the expression of the highest and noblest of all our human qualities, in other words, that it will rest on moral principles and be perpetuated and continually renewed by an abiding moral conviction. The same arguments can be applied to the other development which must take place inside each nation-state, namely, the transformation of national, political, social, and economic systems so that the State shall, as far as is humanly possible, form a perfect expression of the general will of the people of the State, and be the perfect instrument for the realisation of the general welfare. Let it be repeated that these two necessary developments of the future, the one in the national, the other in the international sphere, go inseparably together. In the absence of the new type of State organisation, there can be no such new organisation of international relations. Yet the perpetuation of the existing international anarchy, or any attempt to cure it merely by *ad hoc* arrangements, of whatever kind, based on the old ideas and principles, will bring to nothing any national reform, no matter how wisely conceived it may be.

This is the background against which we must look

at the British Commonwealth. Is it based on moral and philosophical principles of universal validity, or is it not? In simpler language, do the relations between the various members of the British Commonwealth represent an advance towards, and show before our eyes the working out over a quarter of the world's surface of, the system of international relations which we hold to be necessary for the continuance of civilised life? It will be argued in this chapter that the British Commonwealth is based on universally valid moral and philosophical principles, and that it does represent a movement towards the ideal organisation of international relations. The crucial importance of our present inquiry is, therefore, clear.

But at the very beginning of the inquiry we must be quite certain of the meaning to be attached to the two expressions: 'The British Commonwealth of Nations,' and 'The British Empire.' They are often used indifferently, as though they had identical meanings, and even official documents are not altogether guiltless of this practice. Yet the distinction between these two expressions is of fundamental importance, and the whole of the discussion which follows turns on a clear understanding of this distinction. Briefly, by the term 'The British Commonwealth of Nations,' we designate Great Britain and the self-governing Dominions, whilst by the words 'The British Empire' we mean the British Commonwealth, together with India and all the 'dependent Empire,' that is, the Crown Colonies, Mandated Territories and Protectorates.) The authority of the Balfour declaration of 1926 may be quoted in favour of these definitions, for that famous formula describes the mother-country and the self-governing dominions as 'autono-

mous communities within the British Empire . . . freely associated as members of the British Commonwealth of Nations.' A citizen of Great Britain or of any of the self-governing dominions is, therefore, a member both of the British Commonwealth of Nations and of the British Empire. A British subject of any part of the Empire which is not a self-governing Dominion is a member of the British Empire, but not of the British Commonwealth of Nations. This distinction seems, at first sight, to be clear and satisfactory, but, actually it has certain disadvantages, and the use of the two terms tends to be somewhat confusing even after they have been thus defined. Nevertheless, we shall use them with the meanings now attached to them; and we shall use the shorter term, 'The British Commonwealth,' in place of the more cumbrous phrase, 'The British Commonwealth of Nations.'

These two definitions are, however, unsatisfactory for a reason which becomes clear on reflection. They make too neat a distinction between the Commonwealth and the rest of the Empire, between Commonwealth and non-Commonwealth. It is, of course, true that at any given moment certain members of the British Empire are enjoying that complete measure of autonomy in both their internal and external affairs, which, in view of their free association with the United Kingdom and with each other, we call Dominion status. It is equally true that certain other members either enjoy a much less complete measure of autonomy, or are completely dependent on the United Kingdom, or on one or other of the Dominions, and that these particular members are therefore not *freely* associated either with the United Kingdom or with each other. But there is nothing

static about the composition of these two groups. If we go back far enough, we find Commonwealth (as defined above) resolving itself step by step into Empire only, until, by the time we reach 1835, we find an Empire but no Commonwealth. Now, travelling into the future from 1835, we find Empire resolving itself step by step into Commonwealth. Look, for example, at the list of Dominions represented at the 1930 Imperial Conference, and then at the list of those at the Ottawa Conference two years later, and in the latter you see a new name—Southern Rhodesia. Within so short a space of time, then, Empire has become Commonwealth for that country. And many people now alive will live long enough to see other names added to future lists of Commonwealth members, the names of countries peopled by men and women of blood and traditions alien from ours—India (since to-day she is a Dominion only in name), Ceylon, Burma, and, later on, even less familiar names than these. We shall, in fact, see Empire continually transforming itself into Commonwealth. Thus whatever formal or verbal distinction we may make between Commonwealth and Empire for the sake of convenience, there is a real sense in which they are one and the same thing. It is impossible to lay our hands on any part of the British world, and say ‘this is for ever Empire only and shall never be Commonwealth,’ because we are everywhere in the presence of change and motion and evolution. No country of the British Empire can step into the stream of experience twice at the same point. However short an interval we take, nevertheless in that space of time it has moved forward.

But we must allow our thoughts to take us still deeper. Let us ask ourselves, ‘How and why has the British

Commonwealth come into existence?' Those who are content to deal in *prima facie* statements would explain the whole movement by saying that the Commonwealth has come into existence through successive devolutions of autonomous power by the mother-country on those daughter communities which are now the Dominions. As a matter-of-fact statement of the legislative and administrative acts which implement the changes into which we are now inquiring, this is true enough. But it is not good enough for us. It does not answer the all-important question of *why* these autonomous Dominions should now form a Commonwealth instead of being a number of separate and completely independent entities, as, of course, was one of the most confident anticipations held about these communities until quite recent years. (Seeley, for example, saw independence or federation as the only possible alternatives before the self-governing British countries.) It does not even answer the question why each individual Dominion has become a Dominion—with all that that word has implied since 1926. Still less does it or *could* it answer the question why all that is best and most representative in public and political life in a country like India is now striving after Dominion status for India as her highest ideal.

What, then, is the real answer? It ought to take the following form. The transformation of the present Dominions from Empire to Commonwealth was a complex process impelled by two separate and at first sight mutually destructive ideals, namely, the ideal of full national stature and life on the one side—the side of the Dominions—and the ideal of Empire on the other side—the side of the mother-country. Building, at first unconsciously, and, indeed, involuntarily, on the basis

of inherited British ideas, traditions, and institutions, the daughter communities inevitably arrived, at a certain point in their growth, at a position in which they saw that the realisation of their true selves impelled them along the path of separate national development. With the deeper implications of this development, particularly in their external aspects, they were not, indeed, they could not, be concerned. But it was clear to them that if they were to fulfil their destiny, the limiting conditions of the old *imperium* of the mother-country had to go. To find proof of this, we need only consider the very obvious truth that full national stature was necessary to enable such countries as Canada and South Africa to transcend the racial divisions which threatened to tear them asunder. Nothing but the knowledge that the responsibility for the future welfare of their country and their children lay in their own hands could make one closely knit nation out of French and British in Canada, and British and Dutch in South Africa. Shortly, we shall see how India also bears out this statement.

But on the side of the mother-country a change of equal importance was taking place, again, at first, all unknown and unwilling. The deepest instincts and the proudest political theory of the British people impelled them to strive to maintain their Empire unimpaired. But the action in the growing Dominions of basic moral forces—as irresistible as the working of the physical laws of nature, because, like them, of absolute validity within the limits of our experience—made the maintenance of the Empire on the old terms impossible. Therefore, the terms of relationship had to change on this side also. And now mark the process. The ideal of a general *imperium* of the United Kingdom is opposed by the

ideal of colonial nationality, and the clash between them is direct. Yet we do not find one ideal giving way before the other and being destroyed; we do not find the *imperium* restored and continued, neither do we find our daughter colonies becoming independent countries. Instead, the two ideals become fused into the ideal of the Commonwealth. Thesis, antithesis, synthesis—there we have the complete process which resolved Empire into Commonwealth. And it achieved the transformation, not only for this country and the daughter communities, but ultimately, for the whole of the British Empire. For we are dealing now with laws of universal application, and thus it is that India, the adopted child, so to speak, of the British Family, becomes entitled to a full share of the patrimony when her conditions shall fit her to inherit it. And because for us the Empire has now become Commonwealth, we can no longer have an Empire which is not also a Commonwealth, either in being or to be. Just as the British Dominions and this country played their respective parts in transforming Empire into Commonwealth, so India, or for that matter, Kenya, is playing her part by putting the laws of that transformation continually to the test, making them explicit, and proving the universality of their application. For, with the admission of India's right of membership of the Commonwealth, the admission is made for all the present dependent peoples all over the present Empire. Of that there can now be no question.

At first sight, there may appear to be a serious flaw in the logic of the argument at this point. It is easy to see that the growth of nationalism in the colonies of British settlement was a perfectly natural growth caused by a sort of inherent necessity. The British settlers overseas



did not lose their instinct for politics, or surrender their birthright of liberty and self-determination when they left the shores of the mother-country. The expression of their instinct and the full enjoyment of their birthright merely had to be deferred until suitable material conditions had been achieved. But this is certainly not true of India. Except for the rudimentary institution of the 'panchayet,' the village council of elders, the many peoples of India never knew any of the institutions of responsible self-government before the days of British rule. Neither has there ever been an Indian 'nation.' The bundle of territories to which the generic title of India is given have never been ruled over by one monarch or government. Even to-day they are not subject to one common rule, since those two-fifths of India's area which are comprised in the Indian States are ruled over by many rulers. They are within the Pax Britannica, but are not administered by the British. The greatest of the Moguls, Akbar, never ruled over the whole of what we now call India, nor did the only other monarch in India's long story co-equal with him in strength and fame, the Great Asoka, who reigned more than two centuries before the birth of Christ. It must be admitted, therefore, that the experience of India's peoples in the past has not been such as to make their inclusion in the British Commonwealth of Nations an inevitable or even a natural outcome of their membership of the British Empire. Then how are we to justify their inclusion in the Commonwealth, since the latter is the outward and visible expression of an inward and spiritual movement? Part of the answer to this question is given by a simple statement of certain facts, but a firm grasp of the process by which Empire became transformed into Com-

monwealth in the Dominions is required for a full understanding of the other part. The facts are these. The system of government in British India is modelled on the British parliamentary system which is common in essentials to the mother-country and to the Dominions. Further, the government of British India is based on the leading principles of democratic government anywhere in the world, namely, the complete equality in legal status of all citizens, and the exercise of ultimate authority in the State by a representative legislature elected by popular suffrage. These principles and the institutions in which they are embodied have certainly been introduced by the British. They are not indigenous to India. But it must be remembered that principles are living things, endowed with the inherent power of growth and development. It is also true that the action of these principles is still limited in some respects in India; nevertheless, her system of government is clearly of the same kind and possesses the same potentialities as that of any of the self-governing countries in the British Commonwealth. Further, by means of a ubiquitous system of communications of all sorts, both inside India and between India and the rest of the world, India has been welded into one economic unit and has been brought into the main stream of the life of the world and particularly of that part of it which is comprised in the British Empire. Lastly, and most important of all, knowledge of the English language has unlocked the treasure-house of Western learning and experience for Indian students, and has given her children, for the first time in her history, one common language by the medium of which her best minds can develop common ideals and aspirations. The system of communications which has made

intercourse between the peoples and individuals of India both easy and cheap has infinitely magnified the power and value of the English language. Thus, India possesses the formal and material attributes, and much of the outward semblance, of a nation, and many of the conditions which are necessary for the development of the spiritual attributes are also present. Above all, the grand dialectical process of thesis being faced by anti-thesis, and the clash between the two resolving itself into a higher synthesis is at work inside India herself as well as in the relations between her and the British Commonwealth. This is very clearly shown by the position in which India finds herself in this year 1935. At the time when the Round Table Conference opened, a few years ago, a process of political and constitutional evolution in British India, from 1784 onwards, had brought that part of the country to the point at which important sections of opinion demanded Dominion status for India, that is, admission to the British Commonwealth. The presentation of this demand, through the medium of the Round Table Conference, to the tribunal of the people of Great Britain, and, ultimately, of the people of the whole Commonwealth, revealed at a stroke the invalidity of the demand. For it was being pressed by one part only of a potential nation, and, moreover, by a part which itself was the scene of a deep spiritual conflict, namely, that between its two great communities of Hindus and Muslims. The very presentation of the demand had deepened the conflict and caused it to be directed towards more fundamental objectives than ever before. The historic enmity, frozen, as it were, for a century and a half by the Pax Britannica, thawed with the apparent approach of autonomous government and

revealed, in Lord Durham's pregnant phrase applied to an analogous situation, 'two nations warring in the bosom of a single State.' It was clear, therefore, that agreement to British India's demand for Dominion status was quite out of the question, as it would be, in the circumstances described, not merely unjustified, but actually impossible since no Dominion of India existed to be admitted to the Commonwealth. But at this juncture we observe once more the working of the dialectical process inside India as a whole. The formal presentation of the demand through the Round Table Conference was one of the turning-points not only in the history of India, but in the history of human organisation, and, accordingly, the spiritual and emotional impact of the occasion on the peoples of India was immense. The impact liberated unexpected moral forces which enabled the representatives of all the communities of British India on the one side, and of the Indian princes on the other, to fuse their contrasted and, even, clashing interests to the extent necessary to allow the two parts of India, as far as they were concerned, to unite for certain purposes in one all-embracing State—a federation of All-India. This, in turn, enabled the authorised spokesmen of all sections of opinion in Great Britain, as far as they were concerned, to fuse her interests with those of India to the extent necessary to enable her to devolve so much of her *imperium* as the creation of the proposed federation demanded. Thus, the warring communities inside India—not only inside British India now—are left face to face to work out the synthesis of their rival ideals. This will not be done without setbacks and strife and misgivings innumerable, but the clash has, at any rate, been transferred from

armed partisans in the streets and lanes of the big towns to the minds of leading men and to the council chamber. Tortuous and misleading as its manifestations will often appear, the process of fusion of opposing principles is at work, and when it is complete it will be transferred to the relations between all-India and Great Britain and the Commonwealth of which she is a member, for, even then, India's inclusion in the Commonwealth, though inevitable, will not be merely automatic. In her case certain considerations must be taken into account which were not present in the cases of the mother-country and her daughter communities. But let it be clearly understood that it is this stir of spirit and opinion in India, this continuing process of the resolution of clashing principles into a higher unity, which will make, in due time, a nation of India out of a number of territories and peoples and communities whom the accidents of history have sundered and made disarticulate. Let it also be clearly understood that this internal movement in India is product and reflex of the great continuing movement which has produced the British Commonwealth, and is all the time expanding it, shaping it to new forms, and directing it to higher and wider objectives. There is, thus, no break in the logic of our argument. On the contrary, the case of India reinforces it clearly and decisively.

There is one more link to be added to our chain of reasoning at this point. In the transformation from Empire to Commonwealth which we have been tracing, no one can say how much was contributed by this member or that member. Action and reaction, and then action again; thesis, antithesis, and synthesis, these are the forces, without beginning and without end, which

have led us to this point. All have contributed, even if the contribution of some has been no more than the submission of problems for solution. It cannot be too often repeated that it is the actual clash of ideals which we have been examining that is the creative force in the British Commonwealth. Moreover, this clash is immanent in the relation between the different members of the Commonwealth. That is, it arises out of their very essence and is inevitable and unavoidable. Above all, it must be understood by everybody, whether belonging to the British Empire or Commonwealth or not, that this clash is not disruptive and war-making. It is constructive, and it widens and strengthens the foundations of peace among the communities which are involved in it. This is one of the lessons to be drawn from British experience which all who look for peace and for the progressive development of an organised world society must take most earnestly to heart. Another lesson of basic importance for all the world is that this grand process is extending in scope and depth, reaching out to new achievements, embracing new communities, liberating new moral forces all the time. Hitherto it has been concerned chiefly with the clash between the ideals of *imperium* and colonial nationalism. As we see from the cases of India and certain other members of the dependent Empire, this side of the major movement is by no means ended. It has, on the contrary, still to do its most valuable and significant work for mankind, that is, to absorb in one community peoples of races, colours, creeds and traditions very different from those which form the present British Commonwealth of sister nations and kindred stocks. And now, together with this primary process, there is going on a more subtle and intricate

process, namely, that by which each member of the Commonwealth influences the life of every other member and of the whole. The British Commonwealth of 1935 is not the Commonwealth of 1926. Between those two years it has become more recognisably a truly international system, and, as we shall consider in some detail later on, it has already been brought up against its hitherto most formidable problem, namely, that of its organisation for the purposes of co-operation in all the activities of peace, in foreign relations, and, if necessary, in war. The non-Commonwealth countries of the Empire are growing up into this continually evolving and developing Commonwealth. Consequently, the demands made on them are higher and more exacting, calling for greater moral effort, but promising ever richer rewards. In the same way, increasingly difficult demands are being made on those communities which to-day belong to the Commonwealth, by the problems set to them by the growth and progress of the countries of the dependent Empire. On their side, also, deeper strata of moral resources are being tapped. A generation ago the doctrine of Trusteeship of undeveloped races was no more than the conception of a few noble minds. To-day it is a working principle of British imperialism, a visible sign of the moral growth of the peoples of the Commonwealth, the child of the dialectical movement which we are studying. Thus we see that from end to end of the British Empire there is no essential difference anywhere between any of its parts, and therefore, in a real sense, the whole Empire is one Commonwealth. For now we see that the countries and communities of the dependent Empire are truly members of the Commonwealth, although for the present they are its infant

members, with the potentialities, but not yet with the experiences and developed capacities for conscious, voluntary participation in its growth.

Let us now re-examine the Balfour Declaration of 1926 in the light of these considerations. Defining the political status of the self-governing members of the Empire and their relationship with each other, it runs as follows: 'They are autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations.'

The first thing to notice about this declaration is that it was drawn up by one of the most subtly philosophical minds which our race has produced within the last century, and from this circumstance one or two important considerations follow. The declaration is not a mere statement of fact, although it has that appearance. If Reynolds or Raeburn had been asked to perform some purely journeyman task, let us say to draw a picture of a man whom he happened to know and who was wanted by the police, he would have performed it very differently from the hack who used to produce the villainous woodcuts which adorned that one-time favourite of the masses, the *Police Gazette*. His genius would have shown not only the outward seeming of the man, but the inner side of him, his character. This simple illustration is apposite, for the Balfour declaration is an exercise in metaphysics with a whole world of meaning to be read into its words. It is unlikely that our inquiry here has discovered anything which was overlooked by that great mind with its diamond-like capacity to cut right



down to the heart of any matter presented to it, no matter how refractory. All that has been said above was present to Lord Balfour when he put together his meta-physical and creative formula. This is important because of the second consideration in respect of the declaration to which attention must be drawn. This is that it has been accepted without question or demur by all the self-governing communities concerned. The greatest Empire statesmen in conclave weighed and pondered every word of it and agreed that it represented truly not only the existing position but the spirit and meaning of the inner relationship between the great self-governing British communities. If they had not done so they would not, of course, have accepted it.

What then does Lord Balfour tell us, who are of the British Commonwealth, about our great society? He tells us nothing less than the whole of what has been said above. He shows us the one all-embracing community, which he calls the Empire, and inside the Empire he directs our attention specifically to one part which he calls the British Commonwealth of Nations. The members of this latter part, he says, are 'freely associated with each other, which means that the citizens of the communities thus associated accept membership of the British Commonwealth of Nations as their ideal means of realising their own and their communities' welfare. He neither says nor implies that membership of the 'Commonwealth of Nations' is limited to any particular group of members of the Empire. The formula applies to all 'autonomous communities' within the Empire, present or future, and it provides, therefore, for an expanding 'Commonwealth of Nations,' growing according to the laws and based on the principles which we have

been examining. Thus we may reasonably claim that all the 'freely associated' members of the British Commonwealth accept this view of the great society to which they belong—namely, that it is a corporate entity with its own identifying characteristics, with a life and with laws of growth and development of its own separate from, yet springing out of and fed by the life of its various member communities.

Now, this acceptance of the Balfour Declaration is a new, important element introduced into the life of the whole British Commonwealth. By these few words, arranged by a philosophical student of genius in a formula whose *prima facie* aspect is that of a matter-of-fact political statement, but whose content is essentially metaphysical, there is made explicit, and in a form which practical statesmen can accept, the results, and, by implication, the process also, of the long and continuing change from Empire to Commonwealth which we are now studying. Therefore as time goes on, members of the Commonwealth, whether they are citizens of the presently 'freely associated' communities or of the others, will recognise more and more clearly those moral and spiritual and therefore permanent and absolute principles and forces on which our Commonwealth is based or by which its development is furthered. And with this recognition will come a fuller understanding of its purpose and objective, and therewith a continuous accession of strength and increase of precision in the voluntary action of all its members directed towards the realisation of both purpose and objective.

That this is true can be shown from our experience within the Commonwealth to-day. When General Hertzog's party drew up their manifesto in South

Africa some years ago, one of its most important articles declared that the party aimed at 'sovereign independence' for their country. But, through their leader, they have now accepted the position of South Africa within the Commonwealth, as defined by the Balfour Declaration, and to-day we see in that country a movement in politics which will in all probability prove to be the beginning of a new direction of political action and ideals away from racial separation and towards a fuller, more willing co-operation in the life of the Commonwealth to which South Africans will then belong in a better, more real sense than ever before. In the Irish Free State at this moment we see the Commonwealth ideal struggling with the opposite ideal of a racial separation based on the events and traditions of a time and a system of government which have gone for ever. Even here we may expect that whatever the immediate result of the struggle may be, ultimately the present antithesis between these two rival ideals will resolve itself into a higher synthesis, as in the case of the antithesis between the same two conflicting ideals in South Africa yesterday, and in Canada three generations ago.

Thus in these critical and testing places in the Commonwealth—out of others which could be chosen—we see the process of change from Empire to Commonwealth working itself out. We see the principles on which the Commonwealth is based in action against opposing principles which are continually overcome because they are not of the same absolute or universal validity. Moreover, the clash between them, their active antithesis, is itself the medium through which principles materialise as institutions, the embodiment, that is, of the successive stages of change and progress which are

taking place. That this is not an exercise in mere metempirics is shown by all the events which have marked the stages of the change from Empire to Commonwealth during the past century of our experience.

The consciously and freely associated members of the British Commonwealth have accepted the Balfour declaration as a true statement of the identity of the 'British Commonwealth of Nations' and of the relations existing between its different parts, and we have seen the implications and the full scope of the declaration. India, Burma, and Ceylon now provide examples of members of the Empire who, arriving at the point at which they become able both to formulate their desires for their future and to give expression to those desires in conscious action, also accept as an ordinary fact of their experience the existence of the Commonwealth as a distinct, corporate entity, and are in process of achieving the spiritual no less than the political and practical change from unconscious to conscious membership of the Commonwealth. Foreign opinion also has been quick to perceive the existence of the Commonwealth as a separate entity, and foreign students have sought its characteristic or essential elements in the institutions and in legal or formal ties which join, or appear to join, its many parts together. But in this they are, of course, mistaking the accidentals for the fundamentals, and, appropriately enough, it is an American scholar, Professor Elliott of Harvard, who comes nearest of them all to a correct understanding of the true basis and character of the Commonwealth.

There is much significance in the increasing output of foreign books on the British Commonwealth—that is, on the Commonwealth as a whole. Indeed, the latter now

rivals the Soviet and the other non-democratic States in the attention of students all over the world, and the reason is not far to seek. The Soviet and the other State experiments, and the British Commonwealth, are clearly things of tremendous importance for the future of mankind. And contrary to the *prima facie* view, it is the British Commonwealth, not Russia and her Communism, or Italy and Germany and their dictatorships, which represents a new revolutionary development in the political and moral ideals and organisation of humanity. For, when we look at the essential character of the governmental systems of the Union of Soviet Republics and the others, we see that they are highly centralised autocracies, a phenomenon as old as civilisation itself. The philosophical bases of Communism again are as old as Plato, although, of course, the scale on which Communist doctrines are being applied in Russia far exceeds that of any of their applications in the past, and the class which holds power in the Union of Soviet Republics is very different from that contemplated by Plato. The economic bases of the Corporate and Totalitarian States, again, represent a compromise between capitalism and State socialism, and appear destined to lapse either into the first or to develop into the second of these two systems. But the British Commonwealth is literally unique, and there has never been anything like it in the past. Its essence is freedom in association and the links which bind its parts together are so intangible and non-material that they elude the grasp of even the most acute political analyst. The secondary manifestations of the deep underlying unity of the Commonwealth which we see in such things as the various rudimentary institutions—the Imperial Con-

ference, and the different 'all-Empire' committees for specific purposes, for example—and in the economic and other agreements between the members of the Commonwealth, are already sufficiently numerous and important to give to the Commonwealth something of the appearance of an organised super-state. But they do not make the Commonwealth any more than the buildings at Westminster make our Parliament. They exist because the Commonwealth exists, and they grow and change and develop with the corresponding metabolism of the Commonwealth from which they derive their existence.

And here we come to a series of observations of prime importance. It is not only foreigners who mistake the accidentals for the essentials, as can be seen from much of the discussion which goes on every day in the United Kingdom and elsewhere in the Commonwealth, on the subject of the future development and organisation of our great community. We are told, for example, that we must build economic foundations for the Commonwealth to complete the existing foundations, or that we must have some permanent machinery for the purposes of inter-Commonwealth co-operation in this, that, or the other matter. Of course, we must have these and many other things also, for it is undeniable that the British Commonwealth, like any other real polity, must have institutions appropriate to its form and character, because it is not only a city laid up in Heaven. It is also a concrete manifestation of the working of the human mind and spirit, and represents at any given moment one of the stages in the progress towards, and in the evolution of, the ideal form of human association. Therefore, any attempt to control and guide this progress and the evolution of this ideal by means of *ad hoc* and

purely mechanical institutions is simply to court disaster. The Commonwealth institutions must express the growth and changes of the Commonwealth itself. From time to time during the last hundred years various suggestions have been made to regulate the development of the Commonwealth, or, even, to make its further development impossible, through legislative or administrative action based on rules of formal logic or, as many have preferred to express it, on the principles of common sense. For example, one of the most honourable names in the history of the British Commonwealth, Sir William Molesworth, proposed about eighty years ago that the division of powers between the mother-country and her colonies should be fully and explicitly defined by Act of Parliament. And this proposal has found echoes since then, both here and elsewhere. But as all the foregoing argument has shown, the proponents of Imperial Federation on the one hand, or of complete independence for the developing Dominions on the other hand, were foredoomed to failure because they were working against one of the great creative movements of the human spirit. Imperial Federationists and Cobdenites, though actuated by very different motives, were, nevertheless, both under the sway of the same narrow positivism. An Imperial Federation of this kind would have been purely a creature of *ad hoc* institutions, of infinitely complex agreements and checks and balances, which would at every point have come into conflict with the national development of the members of the Commonwealth and would, in fact, have made the rise of the Commonwealth impossible, substituting for it an artificially jerry-mandered super-national State. The Cobdenites, on the other hand, would have destroyed the

rising Commonwealth just as effectively by tearing asunder the tenuous spiritual links which were beginning to replace, between the different British communities, the breaking links of the old *imperium* of Great Britain. So, to-day, we see Commonwealth institutions still in the formative stage, with their further elaboration waiting on the growth and development of the Commonwealth itself. Those who study the proceedings of the Imperial Conference with care and understanding will detect certain subtle, all but imperceptible, changes in its scope and character and in the validity of its resolutions, as it has proceeded from one session to another during the past half century or so, and we shall see that in it we have the nucleus of the future central institution of our Commonwealth. Through the replacement of central authority by the practice of inter-Commonwealth co-operation we have given ourselves the key which will unlock the doors of many of our past difficulties in the matter of the development of inter-Commonwealth relations and institutions.

This discussion of Commonwealth institutions brings us back again to the tremendous theme which opens this chapter. We are now able to carry a step further our discussion of the ultimately necessary organisation of humanity into one world community. All that has been said in the foregoing pages is an argument against mistaking what is accidental in the organisation of international relations for what is fundamental. To-day this mistake is very widespread, and so we get innumerable schemes and proposals for pacts and machinery for international co-operation in economic activities, in limitation of armaments, and in other matters of obviously vital importance to all mankind. Most of these



proposals are based on earnest conviction, and many of them are the outcome of laborious and able thinking. But, all too often, the emphasis is on the pacts and the machinery as such. It is argued that if these things are brought into existence, the will to co-operate, the indispensable foundation of good will between the nations will follow from their operation. This is profoundly wrong. The pacts and the machinery of co-operation must follow and grow out of the will to co-operate. Political institutions are the visible embodiment of existing spirit and will and are changed and transformed by the growth and change of that will and that spirit. Political machinery is the mere executive part of political institutions which are themselves the agents of the general will, and it is altered as the institutions are altered in accordance with the mutations of the spirit which is the author of their being. Of course, there must be machinery for co-operation in international relations, just as there must be machinery for co-operation in any other organised human society, whether Empire or Nation-State. But the machinery is not the co-operation. It is only its instrument. Therefore, we must be certain of our foundations. The spirit that desires and the will that determines to achieve co-operation must be present before we construct our machinery. At no period in human history have changes in economic processes and relations been so swift and so catastrophic as now in our days. In no previous age have the races of mankind been so dependent on each other, so easily and deeply affected by what each other is doing, and, consequently, never before have international relations been so generally unhappy and dangerous. Current proposals for the creation of such

things as an international 'police' force, an international body to control tariff and currency policies, an international parliament, and other analogous bodies, are mistaken and impossible of achievement because, essentially, they concern themselves with phenomena only and not with their root causes. They are attempted devices to stabilise and perpetuate what is old and outgrown, not instruments created by and for the use of what is new and growing. They would do no more than put a poultice on a cancer. Again and again it must be repeated that we are living in the crisis of one of the great secular changes of history from one form of human organisation to another, and we have seen the principles on which the new form will be based. But how are these principles to be embodied in the institutions and the working machinery of international relations? The experience of the British Commonwealth will answer the question. For in the British Commonwealth the world is shown a better way of international association, better because based not on formal agreements but on a growing general will. The British Commonwealth is a commonwealth in exactly the same sense that the Commonwealth of Christendom—an ancient and familiar phrase—is a commonwealth, for it rests on a spiritual ideal, which, if we can only understand and realise it, can resolve all the difficulties arising out of the relations between the different communities within the Commonwealth itself. This is what was meant by the earlier mention of principles and moral laws of universal and absolute validity as the basis of the British Commonwealth. These words meant that the British Commonwealth is a microcosm in being of the world community of the future. Not only that: in the British Common-

wealth the conceptions of individual and national freedom themselves are expanding, for, inside it, the individual and his national community find the scope of their ideals and attachments and loyalties continually widening, and the conditions for their self-expression — spiritual and material—continually growing. The greater strength and richness of Scottish or South African or Canadian nationality means the greater welfare of the whole Commonwealth. As communities they contribute to the life and add to the welfare of the whole Commonwealth by the richness and strength and variety of their own experience. Other communities, of which the outstanding example to-day is India, test the universality of application of the principles on which the Commonwealth is based by providing the problems which give rise to the clash between these principles and their opposites, a clash which results, as we have seen, in a higher synthesis and a new point of departure for further development.

Thus, the same principles and forces which have made nations out of British settlements in Canada, Australia, New Zealand, and elsewhere, and have further made of these nations the Commonwealth as described above, are still at work expanding its spiritual content, and extending it to include other peoples and other countries within the bounds of its great society.

Nor does their action stop with these. Others outside the British Commonwealth have benefited by the growth and spread of the principles of which it is the living embodiment. Hans Kohn, a German Radical and world-famous student and critic of imperialist policies, gives striking proof of this when he says:

'England left her stamp less because of any missionary intention than because of the influence of her inherent nature, her ideas of freedom, citizenship, and the formation of character. In this sense she influenced Europe in the nineteenth century and the East in the twentieth. It was in her struggle with the selfish colonising ambitions of whites, Englishmen and others, in Africa and other parts of the British Empire that England's striving after reform developed into a conscious mission, a great trusteeship, on behalf of backward nations. In that struggle England confronted colonists of her own and of alien race as the protector of the natives, opposing steps calculated to prejudice the natives' interests, especially in the matter of land ownership and their share in self-governing institutions, due to the greater intellectual and organising ability and stronger economic position of the colonists. England's influence spread far beyond her political sphere of influence. The period following the first Russian revolution witnessed the awakening of Mohammedan peoples in the Tsarist Empire from their lethargy. Their leaders were often ecclesiastics who had received modern ideas from Egypt and Turkey, not from Russia. Even at that date a Russian observer (L. Sternberg) remarked: "In Egypt, as in India, English liberty has stirred ideas in Islam which may yet be destined to transform the whole inner life of the Islamic world." '

Even more impressive is the following testimony from another of the same author's writings:

'Many people to-day talk of the dissolution of the British Empire. That may come about. But it would not involve the cessation of English influence. England is not Rome. Her own civilisation and her virility have

not been enfeebled and finally destroyed by the process of empire-building, but strengthened and confirmed in their individual character. Canada or Australia may detach themselves from the British Empire; they will always need to look to England in order to preserve what is best in themselves. The same is true in a lesser degree of India, and England's other possessions. In her political traditions, which likewise influence daily life, there are elements of a conception of freedom and respect for human dignity without which the evolution of a Pan-Europe without England can now no longer be imagined.'

This is striking testimony from a foreign student who certainly has no bias in favour of imperialism, but even more impressive is the testimony of an Indian nationalist leader, the late Mr. C. R. Das, who died in the summer of 1925. Had he lived to the allotted span—he was only in his middle age when he died—Mr. Das would have left as deep a mark on Indian history as Mr. Gandhi. At the height of the latter's power, in 1924, Mr. Das wrested the leadership of the Indian National Congress from him because he had a constructive policy for his countrymen, a policy of co-operation, under certain conditions, inside the British Commonwealth. Mr. Das' death left the leadership of the left wing of the Indian nationalist movement divided, and Mr. Gandhi had to be brought back in order to resolve quarrels which threatened to reduce it to impotence. But for this it is as certain as anything human can be that Mr. Gandhi would never again have taken a leading part in the politics of India. Only a few weeks before he died, Mr. Das made a great speech at Faridpur in Bengal. He knew that he was dying and that he would never again

address his countrymen. Everybody expected a tremendous philippic against British imperialism. But Mr. Das, giving his dying testimony, delivered one of the noblest defences of the British Commonwealth ideal which has ever been heard. 'Dominion Status to-day,' he said (and this was before the Balfour Declaration), 'is in no sense servitude . . . it affords complete protection to each constituent composing the great Commonwealth of Nations called the British Empire, secures to each the right to realise itself . . . and therefore it expresses and implies all the elements of Swaraj' [home rule] 'which I have mentioned. To me the idea is specially attractive because of its deep spiritual significance. . . . I think it is for the good of India, for the good of the whole world, that India should strive for freedom within the Commonwealth.'

With ideas expressed in these quotations, we come face to face with the final meaning and mission of the British Commonwealth, the *primum mobile* of the international Commonwealth of the future. It is now customary to describe the British Empire as a League of Nations. In this discussion we have seen how truly it is so described, not only because of the actual association of a number of nations within one system of organised relations, but because their association rests on moral foundations and on principles of absolute and universal validity.

Lastly, before we leave this part of our theme, let us ask ourselves what is the development now taking place in the life of our great society. It is, in philosophical language, another movement in the endless process which we have been studying, no less a movement than the coming into existence of a general will of all the peoples of the British Empire. It is hoped that succeeding

chapters will justify this statement, and, indeed, even provide examples of the expression of a general will in particular instances.

And now, leaving our philosophic inquiry, we will see what the more 'practical' *organon* of physical science has to say on our theme.

The increasing interlocking of the various branches of science in our day is having most fortunate and fruitful effects on the progress of them all. Biology in particular, by explaining the origin and mechanism of the human individual, and by tracing the physical bases of conduct, is throwing an increasingly bright flood of light on the root conditions and problems of human association. We must, indeed, beware of falling into the crude fallacy of regarding the individual human being and the organised political society in which he lives as being completely analogous and subject to exactly the same natural laws of growth, development and decay. Since, however, any political society is a collection of individual human beings and has as its objects their feeding, housing, governing and general welfare, what biological science tells us about the individual must be to some extent applicable to the collection of individuals forming the society. But biological knowledge is often distorted into strange, and, sometimes, dangerous shapes by the time it reaches the minds of the lay masses, and a good deal of very vicious pseudo-philosophical doctrine current to-day in many countries is the progeny of an imperfect understanding of what biologists have told us. The Darwinian theory, for example, has raised a surprisingly hybrid family of philosophical monstrosities, some of them highly contradictory of each other. Some have read in it the lesson that only those forms have

survived which have adapted themselves to their environment. But, usually, environment was taken to mean only the lifeless physical surroundings and the conditions set up by them. The living environment, with its constantly changing conditions and its external challenge, was left out of account, and so the outlook of those who held these particular views was fatalistic. They believed, rightly, that the process of natural selection and the variations of species brought about thereby was not purposeful, and they saw their safest line of conduct in unresisting acquiescence in the working of inscrutable and irresistible laws of nature. Others read a different lesson in Darwin's teaching. They saw 'nature red in tooth and claw' and conceived mankind as divided into highly competitive groups all engaged in a grim struggle with each other for the survival of the fittest. That is perhaps the view which prevails most widely to-day. But it is a view of life which must disappear if the human race is to survive as a species of civilised beings. In their masterpiece of popular scientific writing, *The Science of Life*, Professor Julian Huxley and Mr. Wells have a striking passage which bears directly on this theme. Discussing the action of natural selection in producing characters useless to the species, they say, 'It seems certain that a great deal of selection is working to produce adaptations of this curious sort. It is equally certain that in the human species similar results, equally obligatory for individuals or nations who wish to keep their heads above water, but equally useless to the community or the world as a whole, will be produced by the struggle of a purely competitive society, or of purely competitive international relations—unless man does what the animals cannot do, and, by deliberate agree-



ment and convention, destroys the need for that vast amount of merely useless but otherwise inevitable competition.' Provided we remember the spiritual conditions which are the necessary basis of agreement and convention, this passage contains one of the most valuable of all the lessons which the biologist has to teach us. The essence of biology's political philosophy of the future is, surely, this: Mankind is one species and one only. The doctrine of the survival of the fittest as applied to its different races is a deadly and destructive fallacy. With the command of scientific knowledge to which we have now attained, our living environment has become incomparably more important than the lifeless or physical environment, and nature's demand, which we must satisfy or else disappear, is that all the races of men shall act as co-operators in a common task and not as rivals seeking to destroy or exploit each other. In the jungle, it is true, carnivore must feed on herbivore, and the different species must grow and thrive at each other's expense. But men have been able to climb out of the jungle because of their willingness and ability to combine with each other to perform common tasks and overcome common dangers. Men have become increasingly gregarious and dependent on each other age by age in spite of all their wars and hatreds. The merely bellicose races are not those which have achieved the most and left the deepest mark on history. Throughout the story of the world, as far back as the record of life runs, this same lesson is written in all the fossil-bearing rocks. None of those species have survived which concentrated their development on capacity for either attack or defence. The great reptiles and mighty mammals of the prime, with their nightmare fangs and

claws and armour plating of scaly hides and bony sheaths have disappeared completely, and for ever. The mesozoic monster, *Tyrannosaurus*, the most fearful creature which ever walked the earth, could have picked up the biggest and fiercest tiger of to-day as easily as the tiger could pick up a mouse. But *Tyrannosaurus* has gone and has left no descendants. The lesson of all this is that the process of human adaptation to the living environment must be a purposeful process, starting from a base of accurate knowledge and interpretative thought, and proceeding towards a known and defined objective. In other words, it is a process of development of social and political relations inside each national or other individual community such as will enable it to become a healthy working member of an organised world community based on the moral and rational principles which we have been examining.

The future contributions of biology to politics do, indeed, present an alluring vision to the lay mind, and a rich view was opened out by the Regius Professor of Physics at Cambridge, Mr. Langdon Brown, when he told a Manchester audience last year what light his science has to throw on the vital problems arising out of the clash between nationalism and internationalism. All life has started from a single cell, and the ruling characteristic of a living cell is its ceaseless urge to express itself as strongly as its environment will allow. The first stage in evolution was the gathering together of a number of cells for mutual support, all doing the same work. The next stage occurred when different groups of cells began to do different kinds of work. Two parallel processes are going on in evolution, namely increasing division of labour and increasing co-operation

between different parts of one community. Co-operation is achieved under the control of a central nervous system without which no high degree of differentiation is possible in the animal body. The biological and sociological parallel is here remarkably complete.

The course of successful evolution has been to increase, not the size of the cell or the individual, but of the unit. The unicellular has become the multicellular, and isolated individuals have become a community. Further, there are two opposing tendencies in life. One is the general demand for enlargement of the unit, the other is the species-making impulse which attempts to segregate a particular type. The former is a force working for internationalism, but the latter makes for nationalism. The contemporary fanatical outbreak of nationalism in many parts of the world thus becomes comprehensible as a frightened response of the species-making segregating impulse against the resistless, imperious demand of the ever-widening evolutionary process towards internationalism. Evolution has always offered a higher road and a lower road, the one leading to an expanding and more complex unit, the other degenerating to a lower level, and if we cannot adapt ourselves to the higher demands of evolution our civilisation will surely perish.

Our discussion of the moral and philosophical bases of the British Empire has taken us far afield and into more than one realm of thought. Philosophic interpretation of the seemingly random and chaotic phenomena of history and the more 'practical' *organon* of biological science both bring us to the same point at last. Mankind must choose between the higher and the lower road in evolution. Half consciously, half unconsciously, at first with faltering steps, and then more confidently as their

experience has broadened and their knowledge has grown, the peoples of the British Commonwealth have entered on the higher road. But it is a steep and difficult road, as we well know. All the more reason, therefore, why we should keep our eyes on the vision of what lies at the end of our journey, and press on boldly.

### CHAPTER III

## THE EXPANDING COMMONWEALTH

(ii)

#### *The Commonwealth as a Working System*

IN the last chapter we studied the motive force of the expanding British Commonwealth. Now we must try to see to what extent the moral and philosophic principles on which the Commonwealth is based have been embodied in political institutions and machinery. We have seen that the essential character of the British Empire is that of a great association of a quarter of the world's population for the promotion of their common welfare. Owing to the fact that some of the members of the British Empire are sovereign nation-states, whilst others are in the process of becoming so, it is quite clear that there cannot possibly be one central government for the whole Empire. The developments which we have been studying have put the one-time favourite federal solution as decisively out of court as a centralised unitary government itself. We must not think in terms of political institutions or machinery for government, because these imply sanctions with an ultimate power of coercion behind them. The great new discovery of the British Commonwealth is that it is possible to have a political system resting on nothing but a free willingness to associate. In the Statute of Westminster there

is no trace or hint of any machinery or compulsion or penal sanctions. There is no counterpart to Article 16 of the Covenant of the League of Nations. The very essence of the British Commonwealth is that each of its members shall grow and develop its own powers and personalities, like a child in a family, and that the strength and achievements of each shall contribute to the welfare of all. When this is clearly understood, the value of the Commonwealth to the whole world is thrown into more striking relief than ever, for this is exactly the spirit which must inform the dealings of foreign nations with one another if a secure and stable organisation of world society is ever to come into being. No apology will be offered for the constant repetition in this book that machinery and institutions in themselves are nothing if they are not the outward and visible signs of an inward and spiritual development. Whatever progress may be made in the future by the nations of the world in the peaceful ordering of their relations with each other will be made along the lines already marked out by the British Commonwealth of Nations. It is unfortunately true that there have been, and are, deep differences of opinion between different nations of the Commonwealth, leading on occasions to actual retaliation. The United Kingdom and the Irish Free State, Canada and New Zealand, India and South Africa, have all provided examples of such disagreement and retaliation. But the important thing to notice about these is that they are felt by the people concerned to be different from quarrels with foreigners, and they release emotions and forces which work to remove the very bases of disunity. Nay, more, the very clashes of interest and opinion are, themselves, both the outcome of

continuous movements towards a higher unity and the effective instruments for promoting its further progress.

We must be on our guard, therefore, lest we mistake secondary things for fundamentals, and this means that we must try to understand the real conditions of our physical and non-physical environment, so that our actions may conform to them and, also, accommodate themselves to their changes and developments. Considered from this point of view, the comparative paucity of all-Commonwealth political institutions and machinery, and the rudimentary condition of most of that which exists, need cause us no concern. Indeed, it could not be otherwise, because our Commonwealth itself is still in its beginnings. Even Dominion status has not yet reached its final form, far though its development has been carried. It is going to be moulded and altered by the future relations between the Dominions of which, for this purpose, the United Kingdom may be counted as one. The new Dominions of the future will bring strange new elements into the life of the whole, transforming it and so reacting on its already existing members. In a word, the development of institutions and machinery must follow the developments in the Commonwealth and in the relations between its members. And so the greater part of this side of Commonwealth development has still to come. But, more than this, it appears that some, even, of the already existing scanty machinery of inter-Commonwealth co-operation will have to be either scrapped or changed. The Judicial Committee of the Privy Council, of which more will be said in this chapter, is a case in point. Moreover, the political institutions and machinery of a nation or

society are the outcome and instruments of its laws, and law, in its turn, is the expression of the traditions, the character, and the social, political, and economic development of the people concerned. Since the British Commonwealth is a political system, it will necessarily develop its own system of law. Already we may be watching the early developments of a system of Commonwealth law in such things as the British Commonwealth Shipping Agreement of 1931. Clearly this Agreement is not law, in the ordinary sense of the word, because it cannot be adduced in any court to challenge the validity of any act of legislation by any particular Dominion. It is a treaty, but it is a product of the new regime, and it may be that as time goes on the development of inter-Commonwealth relations will enable such things in future to be put into the form of binding laws. This, of course, is only surmise at present, but it does serve to illustrate one of the ways in which a system of Commonwealth law may evolve, and, also, a typical reason for its evolution. In any case, the Statute of Westminster is clearly an example of Commonwealth law, and there is every reason to expect that it will be followed in due course by other examples.

From all that has been said above, we see that we must start our survey of the existing political equipment of the Commonwealth with a recognition that both it and the Commonwealth of whose distinct and individual existence it is the embodiment are in their early infancy. This statement is, of course, a complete reversal of much that has been said since the Imperial Conference of 1926, and more particularly since the passing of the Statute of Westminster. The latter has been often,



indeed, almost generally, referred to as the end of the British Empire.

It is certainly the end of the old *imperium* of the mother-country as described in the previous chapter, but it is the formal beginning of the Commonwealth. For the first time in our history we now have a constitution of the whole British Commonwealth, for that is what the Statute of Westminster is. It defines and sets forth the political relations between the constituent members of the Commonwealth. It is the Commonwealth's fundamental constitutional document. Developments still to come will expand it, and succeeding documents will write glosses on its clauses. Year by year, unfolding events will swell the corpus of constitutional law and precedent of which it will be the parent. The temporary reversion of Newfoundland to Crown Colony status will add one new chapter. The setting up of a Commonwealth tribunal—to be discussed later—will be a development of the Commonwealth constitution in another direction. Western Australia's petition to be allowed to secede from the Australian Commonwealth and the happenings in the recent past in the Irish Dáil will furnish other new or strange additions. And so we could go on with other examples. One example, however, cannot be omitted. It is provided by two judgments delivered by the Judicial Committee of the Privy Council in June this year. The effect of the judgments is to certify the constitutional right of the parliament of a self-governing Dominion to abolish the right of appeal by any citizen of that Dominion to the King in Council. The first judgment, delivered by Viscount Sankey, Lord Chancellor, was in an appeal concerning fishery rights in Donegal from a judgment of the Supreme

Court of the Irish Free State. The second was delivered on a petition for leave to appeal against a judgment of the King's Bench Division of Quebec. The Judicial Committee of the Privy Council held that, since the passing of the Statute of Westminster, the Irish Free State is enabled to abolish appeals to the King in Council from the Southern Irish Courts, and Canada has the right to do away with similar appeals in criminal matters.

It is clear that the effect of the judgment in the Irish case goes much deeper than the right of the Dáil to abolish the appeal to the Judicial Committee. It certifies, in fact, the constitutional right of the Irish Free State parliament to alter its constitution in any particular, and this was the effect assigned to the judgment by competent students of constitutional law during the controversy which followed the publication of the judgment. Here, then, is an example from only yesterday of the growth and change of the constitution of the Commonwealth. Foreign students at last have got something on which they can put their hands and say, 'Here is a thing we can understand.' Of course, the Statute of Westminster represents the end of an old song, but it is also the opening movement in a new harmony. It is a valid and lasting constitutional document because it embodies the actual state of relations between the members of the British Commonwealth reached by the process of development which we have described. It is a record of accomplishment, not a pious aspiration or an *ad hoc* scheme to be brought into being if circumstances permit. And there is another most important aspect of the Statute of Westminster. It is part of the constitutional law of this country and of each British Dominion. In

the past, there has been some academic discussion of the right of this or that Dominion to secede. There is no need to say that no Dominion could or would be kept in the Commonwealth by force, for this would be to violate and betray all that the Commonwealth stands for. But it is just as clear that secession would be an act of revolution—not against the United Kingdom, but against the Commonwealth as a whole. We learnt something a little while ago of the trend of modern thought in the matter of the relationship between constitutional law and treaties. The Statute of Westminster is not a treaty. It is constitutional law. In the Statute of Westminster, then, the British Commonwealth has the prime condition of an organised polity—that is, a constitution.

Further, the Statute of Westminster is not merely destructive of the old *imperium* of the United Kingdom. It perpetuates in legal form certain important links of unity between all members of the Commonwealth. It leaves intact, for example, those fundamental constitutional laws in which imperial unity finds formal and legal expression. These are the laws of the Royal Prerogative in which executive control of foreign affairs is vested in the King, the Law of Allegiance, and the legal omnipotence of the Parliament of the United Kingdom which remains the one body capable of legislating for the whole Empire. Consider, also, the importance of that clause of the Statute of Westminster which forbids changes in the succession to the Crown or in the Royal Titles without the assent of the Dominions Parliaments as well as of the Westminster Parliament itself. Here is a formal acknowledgment of the possibility of joint legislation by all the parliaments of the Empire. Again, the Statute provides for the retention,

by the parliament of the mother-country, of some part in the amending of the Canadian, Australian, and New Zealand constitutions, a provision which may quite conceivably have important consequences in the future. The Statute of Westminster implemented the Balfour Declaration of 1926, and we see that the report of the Imperial Conference of that year stated the position correctly when it said that the Balfour Declaration was no more than 'a foundation on which subsequent Conferences may build.'

We have called the Statute of Westminster the constitution of the new British Commonwealth, and the description is a just one, always remembering that, as Dr. Malan, a South African delegate, said at the Toronto Conference, it is not a hard and fast constitution. But, of course, there is one vast difference between it and the constitution of a national unitary or federal State. The Statute of Westminster cannot, because of the very form and character of the Commonwealth, include provisions for a central governing body equipped with executive instruments for carrying out its will. At once, therefore, the crucial question arises, 'What provision exists for united action by the members of the Commonwealth in those cases where it is desirable or necessary?' The answer to this question cannot be given briefly. It demands a review of all the existing machinery for inter-imperial co-operation. We shall find important gaps—one of them in the vital matter of unity for foreign policy, and even for war—and we shall find that some of the machinery which has worked well enough in the past has now become obsolescent. We shall, in fact, find that in this matter of constitutions and machinery, as in practically every other side of the organisation of

the British Empire, we are in the period of creation and beginnings, not of accomplished achievements.

But, as we begin this part of our survey, we find that the most important, the central and vital part of the institutional equipment of the new Empire is already in existence. In the Imperial Conference we have our central institution which is really adapted to the spirit, the structure, and the work of our great society. And it is so adapted because it is part of the essence of the Commonwealth itself. It is both creature and creator. It has its present form and functions because of the growth and existence of Dominion status. Dominion status evolved in the manner we saw in the previous chapter, but the Imperial Conference was the effective instrument which enabled the British peoples to shape and guide the actions of those fundamental forces which have made the Commonwealth as we know it to-day, and will expand and change it both inwardly and outwardly in the years to come. The Imperial Conference is not a legislature; it is certainly not an executive body. But it is the great council of the governments which both legislate for every part of the British Empire—autonomous and dependent alike—and execute the will of their peoples expressed in their legislation. Such an institution as this could never have been created by any mere act of ratiocination or by formal agreements for specific purposes. It is as truly expressive of the characteristics and the circumstances of the British peoples as are their several parliaments and their judicial systems. Like these things, also, it is the result of evolution, of adaptation to changing conditions, of empirical adjustments in response to felt needs. Moreover, its origin reveals in striking fashion how the Crown is the

corner-stone of our world-wide association. For it was the great gathering from all the ends of the Empire at Queen Victoria's Jubilee which brought the Conference into being. Statesmen, officials and non-officials from the greater and the lesser colonies and from some of the dependencies who had gathered for the 1887 Jubilee in London used the opportunity to discuss some of their common interests and problems.

This first Imperial Conference was a queer, rather informal gathering according to our notions to-day. There were over a hundred and twenty delegates, including thirty-three from the Crown Colonies. India had one representative—the Secretary of State. But, after the opening meeting, the Crown Colony representatives and the non-officials disappeared, to return only to discuss the questions which interested the sugar countries. In view of the particular character of our present and future imperial problems and of the vital, irreplaceable part to be played in their solution by the Imperial Conference, it is well that we should consider the circumstances in which the first Conference met and the motives which impelled Britons all over the world to hold and attend it. The Queen's Jubilee was merely the occasion. The driving force in the direction of conference and unification came from external events. The new economic imperialism heralded by the scramble in Africa had begun. France and Germany had ambitions in the Pacific, much to Australia's disgust, and already the Federal Council of Australia had been formed to advise the various governments on matters of foreign and defence interests common to them all. British and Boers in South Africa were competing for the control of the territories to the north and west of

the Transvaal. The affair at Penjdeh on the Northern Frontier of Afghanistan two years earlier had left relations between England and Russia strained and uneasy. There were even some doubts—and not only in foreign quarters—as to the continued survival of the Empire itself in all its integrity. In Canada there was a well-marked section of opinion that was not certain whether the country's destiny lay inside the British Empire or in a North American Federation. Mr. Robinson, of Natal, mentioned in the Conference 'an eminent statesman' who had said to him, 'I see no hope for it, but you must go.' Inside Cape Colony and Natal there was certainly some fear, fantastic as it may now sound to us, that Great Britain did not mean to keep her South African colonies, whilst Mr. Hofmeyr said that he had found a feeling among some West Indian planters in favour of annexation to the United States, where they might find the market for their sugar which their own mother-country denied them.

But all these were only surface doubts. The Conference proved the occasion for a great outburst of imperial sentiment which the discussions and all the subsequent events showed to be the outward signs of a deep and determined inward desire for unity. The United Kingdom itself was thrilling with imperial fervour evoked by the first appearance of colonial troops in an imperial war since the far-off days when the American colonists had fought for the mother-country against the French. Canadian and Australian soldiers had recently fought in Egypt, giving thereby valuable testimony to the unity of British peoples all over the world. Indeed, Lord Stanhope's dispatch inviting the Colonial representatives to the Conference shows clearly enough that

one of the chief considerations in the minds of Her Majesty's Government was the organisation of the Empire for defence, and the speech with which Lord Salisbury opened the Conference confirmed this. 'The promotion of commercial and social relations' came definitely after this prime objective.

Indeed, defence was the leading motive of the whole series of Colonial and Imperial Conferences between 1887 and the last pre-War Conference of 1911. In the earlier Conferences, questions of economics, notably preferential trade and communications, and the political organisation of the Empire, bulked largely in the agenda, but behind all these was the idea of consolidation of resources and activities for defence purposes. The Commonwealth and the new ideal of Empire were hammered out at the imperial gatherings during these years. The Crown Colonies dropped almost at once out of the Conferences, for in the 1897 Conference only Cabinet Ministers of responsible governments were present, and, by 1911, Australia had become a federation and the two British colonies and the two Boer republics in South Africa had also become one State. So, the Imperial Conferences became an intimate gathering between the mother-country and her daughter communities who were all the time growing up to her political stature.

A great turning-point was passed at the Conferences of 1897 and 1902, for in them Joseph Chamberlain fought and lost his great fight for imperial federation and the creation of a Great Council of the Empire 'for the purposes of more effective consultation and organisation for defence and economic welfare.' The proposal broke on the growing nationalism of the colonies and we know



now how right and fortunate this was. But already by 1902 the Conference had begun to acquire a constitution and to look forward to its own perpetuation. In 1897, a resolution declared that it was desirable to hold periodical conferences between representatives from the self-governing colonies and from Great Britain to discuss matters of common interest, whilst in 1902 a resolution fixed an interval of not more than four years between successive conferences.

Another thing of great interest in these early years of the Conference is the complete unanimity of the desire for closer economic relations between the members of the Conference. The idea of one grand customs union, like the idea of federation on which it was dependent, broke against the growing national feelings of the young British nations, but the 1902 Conference affirmed the principle of reciprocity. On this matter there was no difference of opinion. These earlier resolutions of the Imperial Conference are well worthy of study, for some of them are of creative importance. One such was the resolution passed in 1897 to the effect that colonies geographically united should be grouped together in a federal union. Since then, Australia has carried out this dictum, and so have the South African colonies and their two neighbours. And, strangest of all, India, a Dominion in the making, has had to decide to carry it out so that she might become a Dominion. Then, too, think of the force of Hofmeyr's suggestion at the first Conference, namely that, without disturbing any tariff, a surtax of 2 per cent. should be put on all foreign goods entering any British country, and the proceeds be devoted to imperial defence. At this first Conference, also, Sir Samuel Griffiths, representing the colony of

Queensland, made the prophetic utterance, ' . . . meetings such as this will before long be recognised as part of the general governing machinery of the Empire.' His words have come true, and in perhaps a fuller measure than even he could then have imagined.

It was well that by the end of the 1902 Conference these meetings had become recognised as a part of the machinery of the Empire, for, from that year onward, the rising power of Germany began to challenge the future of the British race and Empire. The Conferences of 1907 and 1911, together with the special Conference of 1909, which followed the German Third Navy Bill, and was summoned for the specific purpose of discussing the organisation of imperial defence, both witnessed and aided the growth to full national stature of those colonies which had now become the Dominions, and they saw also the emergence of the ideal of the British Commonwealth of Nations as we know it to-day. It was under the shadow of the great ordeal which lay ahead that the young British nations came to maturity, and it was in the fire of that ordeal that their unity of spirit and fortune was sealed.

As we look back over those years we see clearly that but for the Imperial Conference the rise of the Commonwealth could never have come about. Communications between governments at a distance could not have resolved the clash between *imperium* and colonial national freedom, and in the wrangle over the part which each member of the Empire had to play in imperial defence all of them might have drifted irrevocably apart. The Imperial Conference not only prevented that, but played a truly creative role. Face to face with each other, and with problems to solve in common which

were going to decide the destinies of all their countries, the delegates to the Conferences of those years were conscious of the deep underlying unity which made them one Commonwealth, and the spiritual forces, which cannot be displayed and assessed, but which are the deciding factors in all human achievement, could work in and through them. And already the Conference had become an adequate instrument for the great work which it was called upon to do, for the men who met and took the decisions were the men who had the power to carry them out in their own countries. In a real sense the Imperial Conference is the embodiment of the British Commonwealth of Nations itself.

~~The~~ development of the Imperial Conference during and after the War we have already examined, and we have seen how it has proved equal to the task of translating the equality of the Dominions with the mother-country into working relations. We see it all the time growing in authority, its agenda becoming more practical and its decisions more immediately effective. We now have, indeed, the 'Great Council' which was the dream of Joseph Chamberlain, that greatest of all our imperial statesmen since Chatham, but it is a council different from the one he had in mind and it is the central institution of a different sort of Commonwealth. It has no executive or mandatory power, but it is an effective medium of agreement, and a fine instrument of education to all the statesmen who gather at its sessions. Each learns from the others, and the experience of one part of the Commonwealth often guides its fellows. Who shall say, for example, what part was played by Canada's example in accelerating the federation of Australia? It is in the Imperial Conference also that the

Dominions have learnt that they acquire authority and weight precisely in those subjects in which they become interested. Their interests are becoming more catholic and so their influence grows, and the Conferences of the future will both reflect and strengthen this process.

Such has been the history and such the process of development of the Imperial Conference. Even from so cursory an account we are able to see the true character and function of this, our central imperial institution. Let us, therefore, always regard it as the means whereby the members of one family take counsel together, so that they may act in harmony, may arrive at principles on which their conduct will be based to the common benefit of them all, and may continually renew and strengthen that general will to associate, which is the one effective and abiding foundation of the Empire. There is a dangerous tendency nowadays to look for spectacular achievements from individual sessions of the Conference. This is wrong, for, if it persists, it will lead inevitably to attempts to turn the Conference into a legislature for the whole Empire, and, as we have seen, such a development would be hostile to the very spirit of the Empire. If changed conditions in the future should render necessary and possible the creation of all-Empire legislative and executive bodies, these will come into existence naturally and inevitably. But they will be the children of the Imperial Conference. The Conference itself must remain the family gathering and council. Since the passing of the Statute of Westminster the Imperial Conference is the only means whereby the self-governing parts of the Empire can keep 'in step' with each other, especially in the field of foreign policy. Even in regard to this all-important function, however,

it is necessary to sound a warning note. There is much food for thought in the fact that it was an Indian member of the Imperial Conference, Sir Tej Bahadur Sapru, who in 1923 drew his colleagues' attention to the vital service which the Conference could render to the Empire, a service which is, indeed, its real reason and justification for existence. That service, he said, lay not so much in devising methods of co-operation in particular instances, but in preserving and promoting the conditions necessary to a willingness to co-operate. The demonstration of this one great truth would by itself have made the inclusion of India in the Conference well worth while. When it is considered together with Mr. C. R. Das' dying declaration, we see what new, rich elements may be added to our imperial society as the process of the transformation of Empire into Commonwealth proceeds.

We thus see the Imperial Conference first as the trustee of our heritage, charged with the duty of guarding and augmenting it. Secondly, we see it as one source of the conventions of our Commonwealth's constitution, of which the Statute of Westminster is the foundation. Lastly, we see it as a consultative and deliberative body in which specific decisions can be taken, and broad lines of policy be laid down, to be implemented by the governments whose representatives form the Conference.

It is in this latter character that we must now study the Conference—that is, as the institution which makes co-operation physically and politically possible between the different nations of the Commonwealth. One of the Australian data papers submitted to the Toronto Conference puts this side of the Imperial Conference's functions succinctly when it says, 'The Imperial Conference from its Constitution fulfils in the highest degree

the requirements for co-operation among Governments. The persons are those who, more than any other members of the Ministry, personify the Government and can speak most authoritatively in its name, and in the name of their country. They are for the time being in contact, not only with the British Ministers, but also with each other; the Conference is a Conference of Governments.' Such a body as this could not meet at any time without finding matters of the first importance to engage its attention, and, long as are the intervals between one session and another, the Imperial Conference has been very largely responsible for whatever unity exists in the British Commonwealth, in outlook or policy, more particularly in foreign affairs. In spite of certain developments in this field which will be traced later in this chapter, there has been, since the War, a very important degree of co-operation, and, even, of unanimity between the self-governing members of the Commonwealth in matters of foreign policy. Thus, throughout the whole of the proceedings prior to the signing of the Treaty of Versailles, the representatives of the different British countries acted in unison. The same procedure was followed at the Washington Conference of 1921-2 on the Limitation of Naval Armaments. After preliminary hesitation on the part of certain of the Dominions, which was due, at any rate to some extent, to resentment at not receiving separate invitations from the President of the United States, all the Dominions agreed to join in the Conference. A British Empire delegation was formed, the King, acting on the advice of his Ministers in the Dominions, appointing the representatives of the latter as members of the British Empire Delegation. Lord Balfour represented two British countries, the

United Kingdom and the Union of South Africa. Each Dominion representative was given full powers by the King, and signed as representative of the government which had sent him, the formal agreements which resulted. At first sight it appears as though Washington represents a distinct step forward in this matter of unitary action in foreign policy, for at Washington there were no separate Dominions delegations in addition to the Empire delegation, as there were at Paris. But Sir Robert Borden, writing in the *Yale Review* in 1923, stated that at Washington the Dominions were given exactly 'the status and distinct consideration' that they had received at Paris. At the London Naval Conference of 1930, which was the sequel to the Washington Conference, the same unity in the final resolutions was achieved, but the method of procedure followed during the Conference itself varied somewhat from that followed at Washington. At London, the Dominions all had separate delegations, and the Naval Treaty which resulted from the Conference was signed on behalf of each of the autonomous members of the Empire separately. Nevertheless, on this occasion, as at Washington and Paris, there was throughout constant consultation and harmonising of views between all the British delegations.

These three conferences were occasions on which anything but unity of all the British countries concerned was unthinkable. But there are, of course, other occasions at which important questions of foreign or defence policy come up for decision when it is necessary that different parts of the Commonwealth should adopt different policies. Thus, the Canadian Government refused to ratify the Lausanne Treaty which ended the

state of war between the Empire and Turkey, whilst none of the Dominions signed the Locarno Treaty. The United Kingdom's acceptance of the obligations laid upon her by Locarno can be explained easily enough by pointing out that the War had left a whole tangle of specifically European problems from which this country could not entirely shake herself free, but with which the Dominions were not directly concerned. Thus, although the Dominions would have no part or lot in Locarno, the mother-country felt herself impelled to follow the line of policy laid down in the Agreements of 1925. Nevertheless, Locarno was a red light, for there the United Kingdom had embarked on a foreign policy which left her isolated from the Dominions, and led General Smuts to infer that if this were to form a precedent 'more and more the foreign policy of the British Government would become simply that of Great Britain.'

It is not surprising, therefore, that the 1923 Imperial Conference's somewhat tentative exploration of the principles of treaty-making by members of the Empire should be followed in 1926 by an attempt to arrive at a definite and agreed body of principles in regard both to treaty-making in particular and foreign relations in general. This broad subject occupies well over half of the important Report of the Inter-Imperial Relations Committee, set up by the Imperial Conference of that year, and Locarno comes in for separate, though guarded reference. In 1923, it had been agreed that any of the governments of the Empire contemplating the negotiation of a treaty should give due consideration to its possible effects on other governments and inform those of them who were likely to be interested in the matter. This agreement formed the text of the whole discussion



of treaty-making and foreign relations by the Inter-Imperial Relations Committee, and out of this discussion the following general principles emerged:

(1) That any of His Majesty's governments should inform the rest when engaged in any negotiations that might interest them, so as to give them an opportunity of stating their views.

(2) That the governments consulted should state their views promptly, and

(3) That no government should take steps involving the others in any active obligations without their definite assent.

(4) All parts of the Empire affected by treaties must be represented, either directly or indirectly, at the proceedings leading up to them and must ratify them before they can become effective.

These principles were reaffirmed by the Imperial Conference of 1930, which further emphasised the special need of informing the other British Governments of treaty negotiations, and of promptness in forwarding news on the latter. The degree of unity in treaty-making and foreign relations generally represented by the above agreements is obviously far from negligible, but it should not be over-emphasised. Important gaps in the diplomatic unity of the Empire are still left to be filled in, as conditions allow, in the future. For example, no agreement has been made as to which kind of treaties shall be binding on the whole Empire. Locarno, as we have seen, was a danger signal, but our post-Locarno experience seems at any rate to indicate that we are not very likely to undertake any major treaty obligations in the future without being able to carry our Dominions along with us. Thus, the Briand-Kellogg Pact of 1928

was ratified by the King for the whole Empire simultaneously, on the advice of his governments in this country, in the Dominions, and in India. Sir Austen Chamberlain's reply to the proposal for the treaty for the renunciation of war, addressed to the British Government by the United States of America, is also of great significance. 'The proposed Treaty,' he said, 'from its very nature, is not one which concerns His Majesty's Government in Great Britain alone, but it is one in which they could not hope to participate otherwise than jointly and simultaneously with His Majesty's Governments in the Dominions, and with the Government of India.' Again, the signature of the optional clause of the Statute of the Permanent Court of International Justice by the United Kingdom and the Dominions in 1929 may be regarded as another step in the direction of the diplomatic unity of the Empire, since this was in accordance with the agreement, mentioned above, made at the Imperial Conference in 1926. Next, the United Kingdom, India, and all the Dominions except South Africa, acceded in 1931 to the general Act for the Pacific Settlement of International Disputes, 1928. Their accession followed a discussion of the Act at the Imperial Conference of 1930, which approved the principles on which it was based. The Union of South Africa, after consideration, declined to accede to the Act, but announced that it was not opposed to its principles. Yet again, the United Kingdom and the Dominions were represented at the Hague Conferences of 1929 and 1930, which discussed the question of the evacuation of the Rhineland, the final settlement of Reparations, and the setting up of the Committee of Financial Experts. The plenipotentiaries of all the British delegations signed the

agreements resulting from the Hague Conferences. The London Naval Conference of 1930 has already been discussed, and so we come lastly to the Lausanne Reparations Agreement of 1932. The Conference at which this agreement was made will be remembered as the one which made a final settlement of Reparations and prepared the way for the World Economic Conference of 1933. All the Dominion Governments, except the Irish Free State, were separately represented, and signed the agreement which was the outcome of the Conference. The World Economic Conference, as is well known, did not result in any important international agreements, but it is worth while noticing here that all the British delegations kept in close touch with each other throughout, and the Empire Monetary Agreement, concluded between all the self-governing British countries, except the Irish Free State, was an impressive proof of their solidarity.

These words are being written in the early months of 1935, not long after the formal denunciation of the Washington Naval Agreement by the Japanese Government. It is, therefore, too early to know the actual procedure which will be adopted by the British Empire at the negotiations for a new agreement that must necessarily follow this action of Japan. We know, however, from the statement made on 18th December 1934 by the Foreign Secretary, that the Dominions have been kept fully informed of the trend of the triangular talks in London between the British, United States, and Japanese representatives. There is no reason to assume that, when the negotiations for a new agreement begin, there will be any variation from the procedure adopted at Washington in 1922. To say the least, developments in the

Pacific during the past twelve years have not lessened the need for imperial solidarity in matters of defence and foreign policy, and there are grounds for hoping that the forthcoming naval discussions will still further strengthen and develop the resurgent unity of the British Empire in diplomatic affairs. One or two further points remain for discussion before we leave the subject of post-Locarno developments in this vital sphere of inter-imperial relations. The Report of the Committee on Inter-Imperial Relations set up by the Imperial Conference of 1926 has a passage headed 'Form of Treaty.' In the somewhat technical language of this passage there lies concealed a principle of high value. It is that treaties concluded under the aegis of the League of Nations do not apply to the relations between the British countries *inter se*. Agreements between the latter have nothing to do with the Covenant of the League, being domestic arrangements between members of the British family. In the same paragraph of the Relations Committee's Report it is laid down that all treaties, other than agreements between governments, when made for any or all of the governments of the Empire, should be made in the name of the King as the symbol of the special relationship between the different parts of the Empire. When international agreements are to be applied between different parts of the Empire, the form of a treaty between Heads of States should be avoided.

This account of the outstanding features of British Empire foreign policy during the past decade has been given for the purpose of showing the truly creative character of the Imperial Conference. Up to the War, and, indeed, up to Locarno, the theory of the diplomatic unity of the British Empire, on the whole, held the field.

But Locarno, as we have seen, showed that there was, in fact, no longer complete diplomatic unity in the Empire, and the deliberations of the 1926 and 1930 Imperial Conferences, and their outcome, which we have been considering, represent one side of the response of the British nations to this crucial fact. They show the lively anxiety of the Empire peoples at this inevitable but threatening result of the rise of the Dominions to full national stature, and also their determination to create such instruments and methods of united action as shall be appropriate to the structure of the new Empire and the existing relations between its component parts. By no other means than the family gathering of the Imperial Conference could the results already gained have been accomplished. Attempts to arrive at agreements through negotiations between governments would have occupied an infinity of time, have necessarily touched on a multitude of details, and, at the best, have issued in one or two *ad hoc* agreements so tightly confined by limiting conditions and provisos as to be worthless for any practical purpose. In any case, the whole process would have been foreign to the spirit of the Empire, and, in the end, destructive rather than creative of unity. But the Imperial Conference was able to discuss the formidable problems raised by the Locarno Treaty and come to such agreement as was politically possible in the circumstances within a short space of time and by that best of all possible methods, frank and unfettered discussion between kinsfolk whose one desire was to do the best they could for themselves and each other. Moreover, the broad general principles which emerged from the discussions of the Conference represent by far the most satisfactory and valid solution of the kind of problem

which faced that body. For they are not binding legal agreements with sanctions for their enforcement, but spontaneous expressions of willingness and determination to co-operate. They will, therefore, be honoured implicitly by all the British peoples and governments concerned. They give full scope for free and flexible action on any particular occasion, and their application will be part of the growth of that constitutional law of the Empire which was discussed earlier in this chapter. In a word, just as the Imperial Conference is both creator and creature of the British Commonwealth, as we have seen, so it is now playing a creative part in developing the constitutional apparatus of the Commonwealth, whose growth and changes will in due course enlarge the authority and widen the scope of the Conference itself. Where so much in this matter of existing and future machinery for co-operation is nebulous and uncertain, one thing is quite certain. The Imperial Conference will grow continually in prestige, in strength, and in effectiveness. It will be the parent of every piece of constitutional machinery for the whole Empire that will come into existence. But these must be allowed to come into existence naturally and as embodiments of agreements freely and spontaneously reached at the great family gathering. Only those institutions and that political machinery which implement pre-existent agreement can be permanent and effective, for they will be sustained by the spirit which created them in spite of any infirmities they may have, and will be made perfect as time goes on.

From the question of unity in treaty-making and foreign policy it is a natural transition to the question of unity in defence. In defence, as in foreign policy, the

origin and driving power of all agreements which make for unity in the Empire is the Imperial Conference, and the resolutions passed at the session of 1923 were described by the Prime Minister of the United Kingdom in 1926 as 'the very bedrock of our defence policy.' Every one of these resolutions is of prime importance, but it is possible that Clause 3 (e) may prove to be, in the long run, the most important of all from the point of view of imperial unity for defence. It runs as follows :

'The desirability for development of the air forces in the several countries of the Empire, upon such lines as will make it possible by means of the adoption, as far as practicable, of a common system or organisation and training, and the use of uniform manuals, patterns of arms, equipment and stores (with the exception of the type of aircraft), for each part of the Empire, as it may determine, to co-operate with other parts with the least possible delay and the greatest efficiency.'

This principle of uniformity in the Empire's air forces has been extended generally to the Empire's naval and military forces. The other resolutions expressly recognise the complete autonomy of the several parts of the Empire with respect to their defensive arrangements, and subject to this provision suggest the following guiding principles:

'(a) Each part of the Empire represented at the Imperial Conference, is primarily responsible for its own local defence.

'(b) Adequate provision to be made for safeguarding the maritime communications of the several parts of the Empire, and the routes and waterways along which their armed forces and trade pass.

‘(c) It is desirable that a minimum standard of naval strength be maintained, namely, equality with the naval strength of any foreign power as laid down by the Washington Treaty.’

In applying these principles, the Conference noted the special interest of India, Australia, and New Zealand in the Singapore Base and in the Mediterranean and Red Sea route to the East, and the prime necessity for the maintenance of an adequate Air Force by Great Britain.

The sketch, earlier in this chapter, of the history of the Imperial Conference showed how great a part the problems of imperial defence have played in bringing Dominion Status and the Commonwealth itself into existence. The attitude of the Dominions in regard to these problems between 1902 and 1911 seemed to many to portend the break-up of the British Empire. We know now that their attitude and actions were not only necessary but right. They were all part of the process of change from *Imperium* to *Commonwealth*, and now that the great change has been successfully accomplished, we must find our way back again to unity—but, to unity on new terms and on the new conditions which have grown up. We see the beginning of the move to this new unity in these resolutions of the Imperial Conference, a unity which will be stronger, more permanent, and more real, because it will be the expression of the fixed determination of free peoples to unite for a purpose which they believe to be of supreme importance.

Further, machinery for co-operation in defence is not lacking. Apart from the meetings of the Imperial Conference, there is continuous and direct communication between our own Admiralty, War Office, and Air



Ministry, and the Defence Ministries in the Dominions, and both Canada and Australia have liaison officers for defence in London. Australia has three officers attached to the High Commissioner, who keep in close touch with the Admiralty, the War Office, and the Air Ministry, and in routine matters correspond directly with their departments at home. The Canadian liaison officer belongs to the Canadian Air Force and has offices at the Air Ministry.

But far and away the most important of all the imperial machinery for co-operation in defence is the Committee of Imperial Defence. This body, which is purely advisory, is the old Defence Committee of the Cabinet, now metamorphosed into an imperial institution. Appropriately enough, it was a resolution of the Imperial Conference of 1907 which gave to the colonies, now the Dominions, the right to membership of the Committee. Its membership and scope have been modified since the War, and it is now composed of the Prime Minister as President, seven other Cabinet Ministers, the Chiefs of Staffs of the three fighting services, the Permanent Secretary to the Treasury, and a Chairman who is the Prime Minister's deputy. The President may summon to the meetings of the Committee other United Kingdom and Dominions Ministers, or persons with special qualifications according to the character of the business before it. Since 1907, representatives of the Dominions have attended meetings of the Committee of Imperial Defence on a number of occasions, and the Imperial Conference of 1911 passed a resolution that representatives of the Dominions should attend meetings of the Committee whenever questions of defence affecting the Dominions are under consideration. The same resolu-

tion accepted in principle a proposal for the formation of defence committees in each Dominion.

Imperial Conferences are always occasions for discussions of imperial defence problems, and some Dominions have liaison officers attached to sub-committees of the Committee of Imperial Defence. Again, the Secretaries of sub-committees have, from time to time, been allowed to correspond direct with their opposite numbers in the Dominions, and special consultations have been arranged independently of meetings of the Imperial Conference. We saw above how Sir John Simon kept the Dominions representatives informed of the work of the Anglo-United States-Japanese naval talks delegations at the end of 1934. This was in pursuance of a custom of long standing. The Dominions governments are now kept as thoroughly in touch with developments in the United Kingdom's foreign policy as is physically possible and there is no doubt that the former are now really well informed of what is going on in this vital field. Indeed, Mr. Bruce once said that as Prime Minister of Australia he was better informed in matters of foreign relations than any Cabinet Minister of the United Kingdom, except the Prime Minister and the Foreign Secretary.

The part played by the Imperial Conference in bringing the Committee of Imperial Defence, as we know it to-day, into existence is clearly an important one. The Committee is a truly all-Empire body, and even the few facts about it which are given above show how valuable has been the work already accomplished in unifying the defence and foreign policies generally of all the British countries. It should, moreover, be clearly understood that the Committee is something more than

an organisation of the fighting services only. Its composition makes it a body competent to organise and co-ordinate the whole man-power of the Empire, civilian as well as fighting, in case of need. And, lastly, the most important consideration of all remains to be stated. It is the one all-Empire body, which, so far as our experience hitherto has shown, can turn itself in an emergency into an executive authority whose action is effective over the whole Empire. During the Great War, the Committee of Imperial Defence became first the War Council and, in the end, the Imperial War Cabinet. The Reports of the latter body for 1917 and 1918 show how inevitable it was that the Dominions should not only be fully informed and consulted, but should share in the deliberations from which our imperial policy issued. In 1917, the governments of the Dominions and India accepted invitations to send their representatives—Prime Ministers where possible—to the War Conference. This Conference soon divided into two parts—the Imperial War Cabinet and the Imperial War Conference.

The work of the Imperial War Cabinet is too well known to need much discussion in this book, but the following extensive quotation from a speech delivered by Sir Robert Borden, a Canadian Member, to the Imperial Parliamentary Association on 3rd April 1917, will justify itself:

‘For the first time in the Empire’s history, there are sitting in London two cabinets, both properly constituted and both exercising well-defined powers. Over each of them the Prime Minister of the United Kingdom presides. One of them is designated the “War Cabinet,”<sup>1</sup> which chiefly devotes itself to such questions touching

<sup>1</sup> *i.e.* of the United Kingdom alone, *Cd.* 9005.

the prosecution of the War as primarily concern the United Kingdom. The other is designated as the "Imperial War Cabinet," which has a wider purpose, jurisdiction, and personnel. To its deliberations have been summoned representatives of all the Empire's self-governing Dominions. We meet there on terms of equality under the presidency of the First Minister of the United Kingdom; we meet there as equals; he is *primus inter pares*. Ministers from six nations sit around the Council Board, all of them responsible to their respective Parliaments and to the people of the countries which they represent. Each nation has its voice upon questions of common concern and highest importance as the deliberations proceed; each preserves unimpaired its perfect autonomy, its self-government, and the responsibility of its Ministers to their own electorate. For many years the thought of statesmen and students in every part of the Empire has centred around the question of future constitutional relations; it may be that now, as in the past, the necessity imposed by great events has given the answer.

'The Imperial War Cabinet as constituted to-day has been summoned for definite and specific purposes, publicly stated, which involve questions of the most vital concern to the whole Empire. With the constitution of that Cabinet a new era has dawned, and a new page of history has been written. It is not for me to prophesy as to the future significance of these pregnant events; but those who have given thought and energy to every effort for full constitutional development of the oversea nations may be pardoned for believing that they discern therein the birth of a new and greater Imperial Commonwealth.'

Sir Robert was right, and the transformation of the Committee of Imperial Defence into the Imperial War

Cabinet is truly a portent of vast significance, not only to the future of Imperial Defence, but to its constitutional and, even, spiritual development.

The Imperial Defence College which was opened in 1927 is the latest addition, so far, to the machinery of co-operation in Imperial Defence. Its courses are attended by officers and civilians from this country, from practically every one of the Dominions, and from India, who study the wider problems of Imperial Defence.

We see, therefore, that there are valid reasons for believing that in these two crucial fields of foreign policy and defence, the British Empire is developing the spirit, the ideas, and even the practical instruments of co-operation suited to the principles on which it is based, to its own peculiar and still evolving organisation, and to the part which it has to play in the world. It need occasion no alarm—it is most certainly no cause for reproach—that its machinery for co-operation between its members is still in the making, and that ideas are still in the formative stage. For the new Empire is itself still in the making, as we know, and it is a source of ultimate strength, not of weakness, that its institutions of all sorts are still in the womb of the future. For we see how the Imperial Conference, pledge of the deep underlying unity of all the different parts of the Empire, is fitting the growing society with the institutions and the machinery that are appropriate to its own peculiar character. The Conference is playing to-day the same creative role as it played in the decades before the War, when it was bringing the new Empire itself into being. And, because it is the incarnation of the willingness to co-operate—the one real, unshakable foundation of the Empire—of all the nations who are represented in it, its resolutions and

agreements have both a sanction and an appropriateness which nothing else could give them.

These remarks have a particular significance in connection with the next part of the existing machinery for co-operation to which we turn, namely, the Judicial Committee of the Privy Council. For this, from one point of view, is the last surviving instrument of the old *imperium* of the United Kingdom. Created just over a hundred years ago, it received statutory authority in 1844 to hear appeals from all courts in the self-governing colonies, now the Dominions. The passage of time has modified this simple position, and to-day the practice in regard to the Judicial Committee varies considerably from one Dominion to another. New Zealand and Newfoundland have no restrictions on appeals to the Committee, which are made whenever they are considered necessary. In Canada, the Judicial Committee is legally the final court of appeal for the Dominion, and many cases, some of them of supreme constitutional importance, have come from Canada to the Committee, which has thus, in fact, been the interpreter of the Canadian constitution. The practice in Australia varies in this important particular, since a special certificate from the High Court is necessary before any constitutional case, *i.e.* a case arising out of a dispute between the Commonwealth and the States, or between two or more States can be referred to the Judicial Committee. In South Africa, the constitution limits the cases which may come before the Committee to appeals from the appellate Division of the Supreme Court, and in practice only a few have ever been brought. In the Irish Free State, a Constitutional Amendment Act of 1933 has abolished the appeal to the Judicial

Committee of the Privy Council, though, as we saw earlier in this chapter, the abolition did not prevent an appeal from being brought. Lastly, in India, the right of appeal from Provincial High Courts has been freely used. The new Indian constitution, by setting up a Federal Court, will restrict the appeals from provincial courts, but the appeal to the Privy Council will be preserved. It will be exercised by leave of the Federal Court, unless the value of the subject-matter in dispute exceeds a certain specified sum, and it is proposed that an appeal in any matter involving the interpretation of the Constitution Act shall lie without leave of the Federal Court.

Clearly, the right to appeal to the Privy Council, or (as stated in Professor Berridale Keith's more accurate expression) 'the power of the Crown under the prerogative and Statute of 1844 alike to grant special leave to appeal from any decision of the Dominion Courts,' is a limitation of Dominion autonomy. It is, therefore, not consistent with the spirit and principles of the British Commonwealth of Nations, and its history during the past few decades fully reflects this fact. As we have seen, the Irish Free State has abolished the appeal, Australia and South Africa have restricted it, very rigidly indeed in the latter case, and in Canada, too, there is a growing feeling that the old arrangement has almost served its purpose. There is, however, a general feeling that the Judicial Committee of the Privy Council should not simply disappear, and leave absolutely no successor. The Imperial Conference has, therefore, turned its attention to this important question of the retention of the Judicial Committee, or of the establishment of some successor to it more closely fitted to the spirit, the con-

ditions, and the needs of the British Commonwealth of the future. The need for some permanent inter-imperial tribunal was admirably illustrated by an example given by Professor Berridale Keith in a letter to *The Times* on 7th July 1934. Referring to the agreement between the governments of the United Kingdom and South Africa regarding safeguards for holders of Union Trustee stocks, Professor Keith pointed out that both governments had 'neglected an excellent opportunity of applying the principle of inter-Imperial judicial settlement of disputes.' Before the agreement, he continued, the United Kingdom Government had a discretionary right, recognised by the Imperial Conference of 1930, to disallow any Union legislation which it considered injurious to stockholders, or to involve departure from the original contract. Now the position is that on the request of the Government of the United Kingdom, the Union Government will 'take the necessary steps to ensure such amendment as may be requested.' Professor Keith concluded as follows:

'Imagine the position of the Union Government when it brings down to Parliament a Bill to carry out a request by the British Government of which it does not approve. Parliament can hardly be expected to approve such a proposal on British authority. The obvious course is to provide for reference to an inter-Imperial Tribunal of such a dispute, both sides agreeing to accept its decision; for the Union Parliament would doubtless honour an obligation thus affirmed where it would decline the mere request of the British Government. As it stands, the new agreement replaces disallowance by a procedure which if brought into practice would probably involve a bitter inter-Imperial conflict. . . .'



The question of such a tribunal came up at the Conference of 1926 and was reported on by Lord Balfour's Committee, which stated that questions affecting judicial appeals should not be decided otherwise than in accordance with the wishes of that part of the Empire which was primarily affected. The Committee also pointed out that any changes in the existing system would concern all parts of the Empire and therefore should only be carried out after due consultation and discussion. The Imperial Conference of 1930 examined the question of the establishment of a Commonwealth Tribunal, to decide some, at any rate, of the matters which in the past have been referred to the Judicial Committee. The Conference decided not to recommend the creation of a permanent court, but to suggest the formation of an *ad hoc* tribunal for each case that came up to be settled. Such a tribunal has not yet functioned, although it was suggested by the Dominions Secretary of the United Kingdom Government when the dispute arose between the latter and the Government of the Irish Free State over the question of the Oath of Allegiance and the Land Annuities. The proposal, however, is a typical example of the way in which the British nations are feeling their way to the solution of their common problems. Experience alone can decide whether *ad hoc* tribunals of the kind proposed will suffice for the work to be done in future, or whether some regular and permanent court is needed. But we see the British Commonwealth, in this particular as in others, adapting itself to new conditions, equipping itself with new institutions, and, quite naturally, and, as it were, inevitably, giving concrete expression to the spirit which animates it.

We have confined this description of existing ways and means of inter-imperial co-operation to certain of the broadest and most vital of our imperial interests. But of course there is a vast multitude of day-to-day activities in which government departments and officials in every British country throughout the world are co-operating with, or acting for, each other. There is no need to detail the work of the United Kingdom Foreign and Dominion Offices and Department of Overseas Trade, or of the High Commissioners of the Dominions, Agents-General of States, and others, for these can be easily imagined and understood. Just one outstanding example of the sort of co-operation which goes on may be given in the words of the Hon. Vincent Massey, who, as the first Canadian Minister to the United States, had special knowledge of the subject of which he is speaking:

‘The Canadian traveller or business man, requiring the services of a consul anywhere in the world, finds his needs looked after very willingly and very efficiently by British officers. This is particularly true of British consuls in the United States in their work on behalf of Canadian citizens. As a matter of fact, one of the little problems which had to be adjusted when the Canadian Legation was set up in Washington—if I may quote from personal experience—was the relation between the new Canadian Minister and the British consuls. The latter were responsible to the British Ambassador, but they had to do a considerable amount of business for Canada. So it was arranged that, in connection with their Canadian work, they should take instructions from the Canadian Minister. The plan, I may say, worked admirably, and harmonious relations prevailed between the consular offices and the Legation throughout the


period with which I am familiar. (I may say that the magnitude of their work is represented by the fact that some twelve hundred dispatches were sent from the Legation on an average each year to British consuls in the United States on Canadian business.)'

As we continue our survey of the existing machinery for inter-imperial co-operation, we come to that very important part which represents co-operation in economic policy and activities, which will be described at length in a later chapter. Going still further in our researches, we come to the various bureaux formed in connection with different branches of agriculture, to the standing committee on Empire Forestry and to others of a like kind. And, finally, we come to the official, quasi-official, and non-official inter-imperial conferences on special subjects, which have become such an important and valuable element in the life of the Empire since the War. Agriculture, forestry, education, statistics, communications, the Press, have all been found to be proper subjects for such conferences, whilst in the 1933 Conference on British Commonwealth Relations which was held in Toronto, we have the germ of an institution which, unofficial though it be, may ultimately prove to be a development second in importance only to the Imperial Conference itself.

In legislation, too, the post-War years have witnessed some notable developments on that side of inter-imperial relations which we are studying in this chapter. There have been, first, such feats as the Statute of Westminster—which we have seen, to mark the birth of a new Empire as well as the end of an old one—and the Imports Duties Act of 1932, whereby Imperial Preference was

established as one of the corner-stones of this country's and the Empire's economic policy. But, apart from these, such things as the various Cinematograph Films Acts in different parts of the Empire, establishing quotas for films produced within the Empire; the United Kingdom Merchandise Marks Act of 1926, making it necessary for retailers to show the origin of the goods they are selling, and a number of others which could be quoted, all reinforce the main argument of this chapter. This is that in some important particulars, the whole British Empire, and particularly the British Commonwealth, has already provided itself with the machinery and equipment of an organised political system which holds certain basic ideals, and is pursuing certain vitally important objectives in common, and that, all the time, this necessary equipment is being added to and improved by that best of all processes, namely, voluntary and agreed co-operation in adaptations designed to meet changing and evolving conditions.

Our survey in this chapter leaves us with a rational hope that the future will see a continuous integration of our great society in all its practical activities. Over a hundred and fifty years ago, Adam Smith wrote that we possessed, not an Empire, but the 'project of an Empire.' Even a generation ago, we had hardly progressed beyond the stage of having a project of an Empire. But at last the project has begun to take form and reality. Building has already taken place on the foundations, and now we must try to see, not what the completed building will be like, for that is impossible, even to-day, but another bit of the plan which is being year by year unrolled for us.



## CHAPTER IV

# THE EXPANDING COMMONWEALTH

(iii)

### *The Unfolding of the Plan*

THOUGHT on the development of the plan need not be merely theoretical, so long as we keep firmly in the forefront of our minds the principles on which the British Empire and Commonwealth are based. Any future developments must flow from the working of these principles, and, as we have seen, the Imperial Conference is a potentially ideal instrument with which to shape the evolution of the great, supra-national society which is the British Commonwealth and Empire. Now we know also that the adding of any new unit to the existing machinery for co-operation in our expanding Commonwealth will be something far more than an achievement in practical political mechanics. It will be another visible embodiment of the will to co-operate. It will represent a decision which will be a moral as well as a political decision. It will be another sign of the conscious acceptance by all the peoples concerned of the fact that their goal is the formation of a political system, society, or entity—call it what we will—transcending the bounds of mere nationality, a proof also that they are prepared to surrender that amount of their own autonomy which is necessary to realise this great purpose. In *The*

*Science of Life*, Mr. Wells and Professor Huxley tell us that 'Progress in Evolution is an improvement in machinery for living in general.' Every improvement in the machinery for co-operation between the members of the British Empire marks another step in the evolution of a society which is destined to transcend the bounds of the isolated nation-state as we know it to-day. Here is inspiration and a call to action for us all, particularly for the young and ardent whose minds are reaching out towards a better organisation of their own particular national societies and of the world as a whole.

Inside the British Commonwealth, political controversy is now out of the way, except for those matters still outstanding between the Irish Free State and the United Kingdom. For the rest of the Empire outside the Commonwealth, free association stands as the ultimate goal, to be reached under conditions which are becoming more definite and more clearly understood as time goes on. Now, therefore, the urgent question arises—What are we going to do with our Commonwealth and our Empire? Necessarily, we must base most of our succeeding arguments on the relations between the members of the existing Commonwealth, realising, however, that it is an expanding Commonwealth, and that what is now being done inside it is being done also for the wider Commonwealth of the future.

In the last chapter we saw that the Statute of Westminster formally registered the end of the old pre-War organisation of the British Empire and revealed the existence of its successor, the new expanding Commonwealth of Nations. The Statute, in fact, performs a twofold work. It both frees and binds the members of the Commonwealth—the United Kingdom as well as

the Dominions. It is the freeing force of the Statute which has hitherto been stressed in written and oral discussion. Its binding force has for the most part been overlooked. Nevertheless, it does impose, tacitly, no doubt, but firmly, certain duties and obligations on all who have accepted it. These duties and obligations arise out of the implication inherent in the Statute of Westminster, namely, that it is a solemn agreement between a number of nations who have consented together to join themselves into a Commonwealth. That agreement will have to be implemented by continuous arrangements and adjustments of all sorts, and, above all, by the creation of inter-Commonwealth machinery and institutions to do the work of the Commonwealth. Thus, every one of its members is under the obligation to play its part (including the making of such sacrifices of national autonomy as may be necessary) in carrying out this task. There is a certain esoteric significance in the fact that, except for New Zealand, every one of the Dominions, India included, has had in its own national development an experience analogous to that which it will have in fitting itself into the Commonwealth of the future. That is to say, each of them began with a number of independent communities which had to be welded into one nation, and in the United Kingdom, Canada, and South Africa, racial divisions were present to complicate the problem. In these very days we have before our eyes living proofs of the truth that the growth of national unity in the Dominions was no merely automatic process. On the contrary, we know from the case of Western Australia, and from certain developments of opinion in the prairie provinces of Canada, how difficult and delicate has been the progress to union in these

countries. The Hertzog-Smuts alliance in South Africa in 1934 showed us the strength and persistence of certain disruptive elements in the body politic of the Union, which, a generation ago, would have made any talk of such developments as we are witnessing to-day seem simply fantastic. And now Ireland and India are coming to the point at which they, too, will have to tread the same thorny road of abnegation of particular ideals and cherished hopes in order to win the truer freedom and wider scope of action which come from national union. Even in the motherland herself, in Great Britain, English, Scots, and Welsh had to sink their separate interests and depart from ways of thought and conduct induced by centuries of armed conflict before they could become the British nation. Thus, the history of individual parts of the British Commonwealth records the same process of national consolidation, and it is surely justifiable to argue that the further process of their integration into a Commonwealth based on the principles we have already examined, is no more than a natural development and one which is appropriate, not only to their present circumstances, but also to their past experience.

Now, it is obvious that at one time there could have been a threat to the national autonomy of the Dominions in the development of all-Commonwealth institutions and machinery for co-operation. Even to-day the power and prestige of the United Kingdom are still so paramount as to give rise to the fear that she might assume, in a more closely integrated Commonwealth, a position not so different from that which she occupied in the old days of the *imperium*. This danger has found expression over and over again at meetings of the Imperial Con-



ference, particularly when proposals have been under discussion for the formation of an 'Imperial Secretariat,' a permanent body to ensure continuity between the work of one Conference and the next. It has frequently influenced the conduct of the Dominions, notably of Canada, South Africa and the Irish Free State, in regard to imperial policy, and it still acts as a barrier to a really dispassionate and objective discussion of the best methods of closer co-operation inside the British Commonwealth. But, in truth, this danger is to-day a mere chimera, a monster conjured up out of old memories and traditions of long-gone days. It does not exist for us of the present British Commonwealth for reasons which are by now plain before our eyes. Our Commonwealth would not be in existence were it not based on principles fundamentally different from those on which the old Empire was raised. The need for institutions and machinery to enable the Commonwealth to express itself in action and to fulfil its destiny is an inner necessity arising from the very nature of our new Great Society and the part which it has to play in the future organisation of the world. Such developments as we are now considering will be natural manifestations of the expansion of our Commonwealth, and will be the outcome of the general will of its members. In very truth, the fears which are still current in certain quarters are as fantastic as would be fears that our rule over primitive peoples in Africa or elsewhere is liable to lead to a revival of the slave trade and the horrors of the middle passage. The foundations, the spirit, and the purpose of the new Commonwealth are completely different from those of the old Empire, and nothing can ever restore the *imperium* of the United Kingdom because its

restoration is a moral as well as a political impossibility.

Having thus cleared the ground we can now discuss the better organisation of the British Commonwealth without any fear of misunderstanding. We start from the great fact that all the members of the Commonwealth have decided that co-operation between themselves is necessary and that they have now to find out how to achieve their co-operation effectively and without delay. The essence of the new British Commonwealth system is co-operation through agreement, and this clearly implies negotiation between the different governments of the Commonwealth on matters of policy. One of the Australian data papers submitted to the British Commonwealth Relations Conference at Toronto last year refers to this matter in somewhat striking terms. It shows that the value of personal contacts extends far beyond specific negotiations on particular points. Such contacts give each government concerned the opportunity of drawing the attention of all the others to its particular problems, and of enlisting their sympathy; and, generally, of bringing before the whole group the conditions under which the country concerned has to form its own policy. All this will tend to bring into existence the atmosphere and conditions in which such a common policy may be shaped as is most likely to secure general approval and support.

It cannot be too often repeated that, great as the achievement has been of transforming the old Empire into the new Commonwealth, the latter still has very little (and that, somewhat rudimentary) machinery or organisation for co-operation. Professor Ernest Barker, although not referring to the British Commonwealth in

this connection, has summarised our position admirably in the following quotation taken from his Introduction to Gierke's *Natural Law and the Theory of Society*:

'It is one thing to say of a group that it possesses personality. This is to say that it is a spiritual existence, and possesses a spiritual attribute. It is another thing to predicate of a group that it is an organism, and possesses an organic character. This is to say that it is a physical existence, and possesses physical attributes.'

Our problem to-day is to give a physical character and physical attributes to what is still very largely a moral conception. It is interesting and important to notice that one of the most noteworthy trends in present-day writings in English—both in the British Commonwealth and in the United States—on the history of the British Empire, is the growing insistence on the need for studying policy in relation to the administrative instruments by which it has been, or is to be, carried out. Moreover, it must be very clearly understood that the problem with which we are dealing to-day is very different from that with which we had to deal in the past. Then, any question of machinery for consultation meant essentially machinery for consultation between the United Kingdom and individual Dominions. Now, the problem is to devise machinery for inter-Commonwealth discussion, and not merely for communication between individual Dominions and this country. Further, we must distinguish between two or three separate things which are all too frequently confused with each other. Thus there is a difference not only between the inter-Commonwealth consultations of which we have been speaking, and the

day-to-day communications between individual members of the Commonwealth, but also between the functions of consultation and communication. There is, in fact, a very definite relation between our subject and the future development of the Commonwealth itself.

There is one consideration of truly fundamental importance which must underlie all our thinking on this problem of the creation of machinery for the purposes of co-operative action by the members of the British Commonwealth. It is, that such co-operative action is vitally necessary, not only in their own interests, but in the interests of the whole world. In one of the very earliest numbers of *The Round Table* a writer discusses the question of 'closer union' inside the British Commonwealth, and he points out that before any steps can be taken in this direction there must be: (1) high contracting parties other than Great Britain herself, and (2) a positive need for union must be proved. We have already seen how the first of these two conditions has been fulfilled. Surely the state of the world to-day fulfils the other. A major crisis, such as faced the world in 1914, may arise again in the future. There is no need to bring forward any specific proof of this statement, for we have only to look around to see it. Will anybody be found to deny, first, that the sudden emergence of such a crisis would to-day find us of the British Commonwealth in a far less favourable position for united action than we should like, and, secondly, that a British Commonwealth able to act with unanimity along the line of policy mutually agreed upon by all its members would almost certainly determine the issue of peace or war in any part of the globe? More particularly would it be able to do this if it were acting in concert with the United

States of America, a consummation which the representatives of the whole Commonwealth, gathered together in Toronto in 1933, unanimously resolved to be desirable. For historic and other reasons, co-operation with the United States will be easier for the Commonwealth as a whole than for the United Kingdom alone, although of course the actual state of relations between this country and her giant offspring must always be the decisive factor. Co-operation between the two sides of the English-speaking world is all the more necessary in view of the outstanding purpose for which that co-operation is necessary, as well as co-operation between the British nations inside the Commonwealth. There is much significance in the fact that the first Commission set up by the Toronto Conference last year was one appointed to examine the 'principles of co-operation' in foreign policy.

How, then, are we to set about the creation of machinery for inter-Commonwealth co-operation? By now we have a good deal of experience, some of it, we must admit, discouraging, to guide us. One thing can be said with confidence at the outset, namely, that the *primum mobile* of all our actions must be the Imperial Conference. We have described the latter as the Great Council of the British Commonwealth, and that is precisely what it is. It is not an executive body, but a conference of governments. It has, therefore, all the limitations which attach to its non-executive character, but, also, it has all the prestige and possibilities of its character as a meeting ground of those who are in a position to take executive action in all the self-governing countries of the British Empire. Moreover, we have noticed how perfectly the constitution of the Conference

fits the Commonwealth, of which it is the one real institution which has so far developed. It has grown and assumed its present structure and character more by convention and precedent than by formal resolution. It is partly result and partly cause of the development of the Commonwealth itself, and we can see now how wise a former generation of imperial statesmen were in deciding against its transformation into a supra-national legislature. To-day we know that such a change would have been dead against the whole genius and future line of development of the British Commonwealth. Nevertheless, we notice that, session by session, its agenda becomes more practical and more quickly and surely consummated. The Ottawa Conference, for example, is an outstanding illustration of this. The Imperial Conference, as a gathering of ambassadorial representatives of a number of countries, is exactly the right body to be the central institution of the new British Commonwealth. In it, plans can be freely and frankly discussed and any agreements reached are almost certain to be implemented because the delegates to the Conference are accredited spokesmen of governments.

But year by year it is ever more clearly realised that the interval between Imperial Conferences is too great to permit of the continuous effective consultation which is rendered increasingly necessary both by world conditions of to-day and the development of inter-imperial relations themselves. Of course, there are already in existence several means of day-to-day communication between the different governments of the Commonwealth. Governments or Prime Ministers correspond by cable, wireless, or telephone, and there is a good deal of personal contact between representatives of governments

in each other's capitals. But these means are not well suited for consultation. Broad lines of policy may be laid down at the Imperial Conferences, but the conditions under which problems were discussed at them alter speedily, and modifications in policy quickly become necessary. This question of contact in between sessions of the Imperial Conference has exercised the minds of imperial statesmen from the earliest days of such gatherings. As far back as the Ottawa Conference of 1894, the late Sir H. Wrixon urged the desirability of taking some steps to carry on the work of the Conference after it had dispersed, and since then the same proposal has come up from various quarters. Broadly speaking, opinion in this country and in Australia and New Zealand has favoured the creation of some permanent machinery for carrying on the work of the Imperial Conference between sessions, but opinion in Canada, South Africa and the Irish Free State has, just as generally, been adverse. The question of an 'Imperial Secretariat,' as this permanent machinery is usually named, has formed the subject of specific discussion from time to time. For example, in 1905 Mr. Alfred Lyttelton, then Secretary of State for the Colonies, put forward a proposal to the various Empire governments for an 'Imperial Council,' with a permanent secretariat. This proposal was discussed at the Imperial Conference of 1907, and rejected mainly owing to Canadian opposition. Again, at the Imperial Conference of 1911, the Prime Minister of New Zealand, Sir Joseph Ward, proposed the formation of a standing committee of the Imperial Conference; but again Canada, represented by Sir Wilfred Laurier, took the leading part in opposing it, and the proposal was dropped. After the War, in

1924, the United Kingdom Government addressed all the Dominion governments on various questions connected with the whole machinery of inter-imperial consultation, including the Imperial Conference, but on a change of government the matter lapsed. Lastly, at the Ottawa Conference a sub-committee examined all the existing machinery for inter-imperial co-operation, and on its recommendation a committee was appointed to go further into the question. This committee met in London in March and April last year, under the chairmanship of a Canadian member, Mr. Skelton, and once more the idea of creating a permanent Imperial Secretariat was dropped. There the matter rests for the moment.

Fortunately, personal contacts between important representatives of all the countries of the British Commonwealth are not lacking, even during the intervals between sessions of the Imperial Conference. The meetings of the League of Nations at Geneva provide excellent opportunities for the members of the delegations of the different British countries to get together and exchange views and information, and these purely informal meetings have a value which is already far from negligible. It is only natural that British delegates from all over the Commonwealth should want to discuss some of the items of the agenda with their colleagues from the United Kingdom or from one or more of the other British countries. They do this not necessarily in order to be able to speak with one voice, but so that they shall know what the representatives of their sister countries are thinking and doing. If all British Commonwealth Countries' delegations to Geneva were led by men of Cabinet rank, and included, invariably, men of power



and prestige in their own countries, the meetings of the League of Nations might quite easily become one of the most valuable of all the connecting links between one Imperial Conference and another, and be all the more valuable because of the purely informal character of the gatherings of British representatives from all over the Commonwealth which take place at them.

In spite of the continual rejection of specific proposals for some permanent body to carry on the work of the Imperial Conference between its sessions, it is not easy to see how it is going to be possible to carry on indefinitely without one. Much of the opposition in the past was based on the perfectly legitimate fear in certain Dominions that a permanent secretariat would prove to be a strong instrument working for the centralisation of policy in this country. But we have seen why this fear is no longer valid. The past is dead and we look forward to the future. The right way now is to see, as clearly as possible, what we want to do and what we must do, and then to set to work to make the means and create the institutions to give reality to our wishes and our needs. One question might be put in this connection which does not seem to have been asked hitherto. Why should not the Imperial Secretariat—to use the familiar name—be appointed by, and be made responsible to, the Imperial Conference itself? Such a solution would seem to remove most of the valid objections to the proposals of the past. It is, at any rate, one which deserves the attention of the Imperial Conference.

The creation of standing machinery in connection with the Imperial Conference is, clearly, one of the chief means of improving the equipment for inter-imperial co-operation. But it is not the only one. The literature of

the development of inter-imperial relations contains many other suggestions, and the Toronto Conference considered some of them. One of the most valuable and hopeful results of the Toronto Conference was the general agreement of the delegates on the need for continuous personal contacts between representatives of the Commonwealth countries. It was felt that the intervals between meetings of the Imperial Conference were too long for the purposes of effective consultation on the pressing problems which face us nowadays both in inter-imperial and in external affairs. It should be noticed that the emphasis was laid on continuous personal contacts between representatives of all the self-governing British countries, not only between the United Kingdom and the rest. The existence of a British Commonwealth, including, but distinct from, all its members is given clear expression in the proceedings at Toronto.

The question, of course, arises, By what means are these continuous contacts to be assured? It is not a new question. It arose, in fact, years before the Great War, but, naturally enough, it was at first asked only in connection with the problem of contact between the mother-country and the Dominions. In 1912, on Sir Robert Borden's request, the Government of the United Kingdom said that it would welcome Ministers from the Dominions to London. No permanent arrangement was made as the result of this correspondence, but Canada had a resident minister in this country during the War, and Australia had one from 1932-3. Mr. Bruce at the present time (1935) holds the office of High Commissioner for Australia, but his duties and powers seem to be somewhat more extensive than those of his pre-

decessors, and his tour to Australia, New Zealand, and Canada in 1934 showed him in the guise of something very like a plenipotentiary. But long ago, in 1884, in the days of the old *imperium*, Sir Charles Tupper's appointment as plenipotentiary, together with the British Ambassador at Madrid, to negotiate a reciprocity treaty with Spain on behalf of the Canadian Government, showed that important functions were lying latent in the then newly created office of High Commissioner. In 1893, Sir Charles Tupper again exercised the powers of a plenipotentiary when he and the Marquis of Dufferin, who was then our Ambassador in Paris, negotiated the Franco-Canadian commercial treaty of that year. Sir Charles was the leading spirit throughout the whole course of the negotiations, and it is not too much to say that his work and personal prestige generally were important factors in the development of Dominion status. It is not surprising, therefore, that many have seen the answer to our question about continuous personal contacts in a change in the status and functions of the Dominions' High Commissioners in London, and the exchange of similar representatives between the other countries of the Commonwealth. At the Toronto Conference there was an impressive unanimity of opinion on the desirability of raising the status and extending the functions of High Commissioners so as to give them a diplomatic rather than a purely political character. Indeed, the more closely such a development as this is studied, the more satisfactory does it seem. An alternative proposal, for the seconding of resident ministers from the Dominions governments to London, has nothing like so many advantages. Ministers will not want to be away from their own political arena for long

periods, and it is difficult to see how enough of them could be produced to represent their respective governments in all the other countries of the Commonwealth. Moreover, there is something in the office of High Commissioner which would make the development which we are now considering an important formative influence in the future progress of the Commonwealth itself. The office of High Commissioner, as we know it in the British Commonwealth, has its peculiar character because of the character of the relations existing between the countries concerned. The High Commissioner has a dual capacity. He is an officer of a particular government and he is an officer of the Commonwealth. His main function is to harmonise, within certain limits, the interests of his country with the interests of the wider political system of which his country is part. Matters of trade and economic affairs generally are his province. With matters of diplomacy or foreign policy he is not directly concerned. Nevertheless, in the Commonwealth as at present organised he plays an important part, and he has a still more important part to play in the future. He also is one of the instruments which are shaping and expanding the Commonwealth.

It is not open to doubt that developments in the future will make it absolutely necessary, sooner or later, for all the self-governing British countries to have representatives of an ambassadorial character in London and in each other's capitals. It is equally not open to doubt that the best way to provide such representatives when the time comes will be to enlarge the functions and raise the status of the High Commissioners as we have been suggesting. By so doing we shall be adapting an existing, a typical, and an eminently suitable piece of Common-

wealth machinery to perform new functions which are rendered necessary by the development of the Commonwealth. The Chairman of the Toronto Conference put this whole matter most admirably in his closing speech when he said:

‘I would put first the view, so strongly presented and generally accepted, that the High Commissioners representing the Dominions in London should have diplomatic functions, that these High Commissioners should have direct access to the Foreign Office and Foreign Secretary, that they should be able to get the atmosphere as well as the documents relating to matters concerning their own Dominions or concerning the Commonwealth as a whole. If that policy, which has been here accepted in principle, could be put into effect, I believe that it would mark a great advance in the machinery for consultation and co-operation between the members of the Commonwealth.’

It will, no doubt, be necessary to begin this particular development with the High Commissioners in London and the United Kingdom High Commissioners in those Dominions to which they have been accredited, but this, after all, will be only the first step. The extension of the system of inter-Commonwealth diplomatic representation is inevitable, and already there is a large measure of support in the Dominions for proposals to exchange High Commissioners between themselves. Particularly striking, in view of its authorship, is the following quotation from an address on British Commonwealth Relations, given by the Hon. Vincent Massey to the Canadian Club, Toronto, on 2nd October 1933.

‘. . . we still have to supply direct, continuous, personal

relations with other British States. What do we in Canada know of the Australian mind, or of opinion in South Africa? . . . We exchange with a foreign country like Japan ministers through whom each country knows intimately what is going on in the other. We accept this interchange as being in the interest of intimate and friendly relations. Why should we fail to provide, as between two Dominions of the British Commonwealth, the corresponding machinery? This would involve no revolutionary step. The contact could be supplied simply and at relatively modest cost by the interchange of quasi-diplomatic officers, call them High Commissioners or what you will. Such an interchange between London and Ottawa, and London and Cape Town, works well. It would be a reasonable and useful step to extend the idea to inter-Dominion representation.'

These words are taken from a part of Mr. Massey's address in which he is arguing the necessity for altering and improving existing machinery for co-operation between the different members of the British Commonwealth. Mr. Massey was the first Canadian Minister to the United States, and in this same address he bears eloquent testimony to the value and the possibilities of co-operation between the officials of more than one member of the Commonwealth. He is speaking, therefore, of what he has himself known and experienced.

Yet again, suggestions have been made for the attachment of Dominion officials to the United Kingdom Foreign Office, and to the United Kingdom's legations in those foreign countries in which their particular Dominion is specially interested. Both Canadian and Australian representatives supported this suggestion at the Toronto Conference, and the fact that it finds in-

fluent backing in these two important Dominions brings it to the threshold, at any rate, of practical politics. It is not unreasonable to argue that all the improvements in the machinery for inter-imperial co-operation which we have been considering in this chapter are no more than inevitable developments to be brought about by the expansion of the Commonwealth itself. It must not be forgotten that the instrument by which these improvements will be made will be the Imperial Conference. But although the constitution and methods of the Conference are perfectly suited to the spirit and organisation of the Commonwealth, they must, nevertheless, be kept abreast of changes in the expanding Commonwealth. We have noticed earlier in this chapter that the Conference's agenda becomes more and more businesslike as time goes on. And yet there is room for improvement in this direction. The agenda is still too crowded and varied; there is still too strong a desire, in all parts of the Commonwealth, that each Conference shall be the scene of some spectacular achievement in some department of inter-Commonwealth relations, notably in the economic field. Each returning Prime Minister is expected to make some thrilling and important *pronunciamiento*. All this is wrong and a hindrance to the true work of the Conference. The Conference is a gathering of spokesmen of a group of sister nations, met together to discuss the general problems which arise out of the relations between them, and between the whole Empire and the rest of the world. They want to understand each other's problems and conditions and make known their own. They want to take counsel together so as to see how each can help the other and how the whole may increase its welfare and strength

through the co-operative action of all its parts. It is the whole complex of inter-Commonwealth relations which they want to discuss and improve, not any one aspect of them, treated in isolation. The more the Imperial Conference takes on such a character as this, the more real will become the Commonwealth, and the more easily and swiftly will it take visible shape and find tangible embodiment in institutions and machinery analogous to those of other political systems.

These general reflections on the present and future character and work of the Imperial Conference are given material content and are brought into direct relationship with reality when we consider how the members of the British Commonwealth are to solve the greatest of all their problems, namely, the co-ordination, if not the unification, of their foreign and defence policies. We have seen how the threat from Germany in the early part of this century speeded up the growth of Colonial nationalism and the development of Dominion status. In a sentence, although the British Commonwealth of to-day is the product of the working of certain eternal and universally valid forces, the rate and, to some extent, the direction of its growth are affected by external influences just as external stimuli affect the growth of a living organism. It is reasonable to believe that the pressure of external events, to-day and in the future, will affect the growth and form of the British Commonwealth of Nations just as decisively as in the past. That is to say, the Commonwealth as we know it in our days, a truly vital political system with its own life and individual characteristics, was fostered and shaped to an indefinite extent by the particular trend of external affairs during the past few decades. But it is a system lacking most of



the political machinery which it needs if it is to fulfil its purpose. Our argument now is that the peculiar character of external affairs from now onwards will force the Commonwealth to equip itself with the necessary machinery and will foster its political, just as in the past it fostered its spiritual, consciousness and development. Nay, more, it is possible even now to discern a still more hopeful and important outcome of future events, and that is the coming together as co-operating partners in world affairs of both halves of the English-speaking world, the British Commonwealth and the United States of America. That shrewd observer on the main trends in world affairs, Hans Kohn, says, on page 113 of his *Orient and Occident*, that 'The Washington Conference and the London Naval Conference point unmistakably to the co-operation of the Anglo-Saxon races in the Pacific Area,' and later on the same page he declares that in this area and its problems there is everything to be gained by their standing together. With this wider development we are not, at present, concerned. It will follow, and, indeed, be a consequence of that prior development inside the British Commonwealth which we are now considering.

As we survey the field of our external affairs in these days of mid-1935, what is their outstanding feature? It is the danger of war once more, a danger which is made all the greater because it may come from any one of half a dozen directions. The great nations are increasing their fighting forces, and fears and suspicions, the fertile breeding grounds of war, are general. The call to the nations of the British Commonwealth to pool their material and spiritual resources is no less urgent than it was thirty years ago. The response to the present call

should be quicker, more comprehensive, more certain, because of all that has happened since 1905. The peoples of the British Commonwealth have fought together in the greatest war of history, in which they engaged all their man-power, their economic power, and their will-power. And from the War emerged a Commonwealth not of colonies, but of nations. Their post-War diplomatic history, of which the most important developments for our purpose have been recorded in the preceding chapter, has forced upon their attention the need, and has induced the desire, for concerted policy and action in face of a danger which, in the last analysis, is common to them all. It is too early yet for the public to be told much of the discussions on this matter which the representatives of the Commonwealth governments had during the Jubilee in London. But it is quite certain that whilst the old—and the right and inevitable—position of the overseas countries was reaffirmed, namely, that each parliament must decide the action to be taken in any specific emergency, nevertheless, the statesmen concerned recognised that the need for co-ordinated defence and foreign policies was urgent, and went away determined to examine in a constructive spirit the problems presented. It is known that throughout the recent months of difficulty and danger, the Government of the United Kingdom have taken no step of first-rate importance in external affairs without full prior consultation with the other governments of the Commonwealth. In a word, the exigencies of foreign policy are evoking a response in the form of developments making for a fundamental integration of Commonwealth views and action.

But this is not all. There is a deeper and even more

important side to this matter. We have seen that the decisions taken by the Commonwealth countries in face of the German challenge were moral as well as political and military decisions. They expressed the determination that the world-wide Commonwealth should continue to exist and that all the measures necessary to ensure that end should be freely taken. To-day the moral aspect of the problem which faces the British peoples in their foreign policy is a reflection of the growth of the Commonwealth itself since 1914. To-day, there is no question of continuing the association between the nations of the Commonwealth. That is a settled fact. The question is, Upon what constructive policy shall the Commonwealth as a whole embark? The answer to that question has already been given by Commonwealth spokesmen, both official and unofficial. The policy shall be to provide an alternative to war in any dispute in any part of the world. It is a constructive policy of peace, of collective security, and of friendship and co-operation between the two great natural allies, the two halves of the English-speaking world. The moral aspect of the problem is the primary aspect, for, if the moral qualities are present in our people and respond to the call made upon them, all the rest will follow in time. It is a happy augury that the Commission of the Toronto Conference which was charged with the task of examining the principles of co-operation in foreign policy was able to report 'the unanimous opinion of the Commission that the dominating factor in Commonwealth policy is the maintenance and promotion of peace.' The expression 'Commonwealth policy' should not be overlooked. We shall do well to ponder these considerations very carefully, for, in this positive policy of peace, we have not only a centre

of unity for all the Commonwealth, but also the most powerful influence possible to evoke the action of the moral qualities of which we have spoken. And there is more to it even than this. The newly proclaimed policy of peace will, in the end, sweep away all the doubts and fears which were caused by the Chanak incident and the Locarno Pact, doubts as to the possibility of unified Commonwealth policy and action in foreign affairs, fears for the survival of the Commonwealth itself. As long as it was possible for the belief to continue that the foreign policy of the United Kingdom was dominated, or, even, largely influenced by the principles of the old 'balance of power' diplomacy, it was inevitable that the other countries of the Commonwealth should assert their right not to be committed by any treaty which she might contract without their participation and assent, or to be automatically involved in any war in which she might be engaged. Contrast, however, the traditional bases of our foreign policy with the principles of the new policy as set forth by Professor Zimmern in reporting the proceedings of the Commission of the Toronto Conference which examined the principles of Commonwealth co-operation in foreign policy in the future. The Chairman of the Commission was Viscount Cecil, and Professor Zimmern reports that 'the following points formulated by the Chairman appeared . . . to express the general opinion of the Commission. . . .

'(1) Peace is the most vital interest, and its pursuit and maintenance should be the great objective of the Commonwealth.

(2) To attain this objective we should:

(a) Co-operate in helping to remove causes of

international friction and misunderstanding between nations and in promoting international goodwill.

(b) Support whole-heartedly the Collective System for promoting international understanding and the preservation of peace, as expressed by the League of Nations, the Permanent Court of International Justice, and the Kellogg-Briand Peace Pact.

(c) Support all measures designed entirely to eliminate force as a means of settling international disputes, by the substitution therefor of conciliation, arbitration, or judicial determination.

(d) Support substantial reduction and limitation of armaments by international agreement.

(e) Support efforts to bring all nations into the Collective System for the preservation of peace.

(f) Freer intercourse between the nations in economic matters is important for good understanding between them.

(g) Maintenance of a high standard of justice and liberty in all nations should be advocated.

(h) International efforts to improve social and industrial conditions should be supported.

(i) Co-operation with the United States is a vital feature of Commonwealth foreign policy.'

This report was adopted by the Conference without dissent. It is true that the Conference was purely unofficial. Nevertheless, the status of the delegates and their truly representative character make it entirely reasonable to assume that in their decisions we have the basis of a general Commonwealth foreign policy of the future. In this connection the potential imperial significance of Mr. Eden's appointment at the reorganisation of the United Kingdom's Cabinet in June this year should not be overlooked. First of all nations, the

United Kingdom has a Cabinet Minister whose portfolio is League of Nations affairs. The appointment marks the appreciation of the vital importance of the League of Nations and the collective system of security by the Government of the United Kingdom, and also their determination to continue to be the mainstay of them both. In other words, the United Kingdom has already given proof that her foreign policy is governed by principles indistinguishable from those which, there is every reason to believe, will form the basis of a future general policy for the whole British Commonwealth.

Of course, every member of the Commonwealth has regional external interests which are peculiar to itself and with which the other members are not concerned. But these regional interests will, in practically every case, be found in the last analysis to be primarily economic interests. They are matters which can be dealt with most effectively by the particular country concerned, and do not affect the main problem of co-operation in foreign policy which we are now discussing. During the period of uncertainty and drift in the early post-War years, at least one notable attempt was made to establish what Professor Zimmern has called a 'regional Monroe Doctrine.' During the discussions on the future of the Anglo-Japanese Alliance, which was due to expire in 1921, Canada showed herself strongly opposed to renewal of the Alliance. Mr. Meighen, the Prime Minister of Canada, saw that a very difficult and dangerous situation would be caused if the principle were established that any one member of the Commonwealth could determine the policy of the other members in any particular issue. Mr. Meighen, therefore, attempted to establish the rule that each Commonwealth country

should have a decisive voice in any policy relating to its own particular region. This proposal, which was obviously fraught with numerous possibilities of friction and misunderstanding, has now been dropped. Clearly, it is far better that any given policy should have the support, and thus become the interest, of the whole Commonwealth, rather than that a series of regional policies based on particular interests should be devised. That way lie discord and danger. Our experience shows us that the evolution of a common foreign policy for the whole Commonwealth will be neither a speedy nor an easy process. But we have, at any rate, the foundations of such a policy in a body of principles to which all the peoples of the Commonwealth can subscribe, and, as we have seen, developments both inside and outside the Commonwealth are now of a kind to favour the process of its evolution.

There is no need to give very much attention at present to the question of machinery for co-operation in foreign policy. Given the will to co-operate, the rest will follow in due course. Our task in the immediate future is to make the spirit and objectives of the policy outlined at Toronto as widely known as possible in every country of the Commonwealth. Once the new, positive policy of peace is well understood, there is no reason to doubt that the will to co-operate—which is the creative force of all our Commonwealth institutions, and of the Commonwealth itself—will be found active and effective in this most vital concern. From what has been said in this and in the preceding chapter, it is obvious that the time has not yet come to propose the creation of any organisation, however flexible, and however truly representative it may be, of the interests of the overseas

British countries, for the formulation and conduct of a common foreign policy for the whole Commonwealth. At Toronto there was a suggestion from an Australian source to create an elastic organisation which would act in foreign affairs as the Committee of Imperial Defence acts within its own appropriate sphere. The suggestion, however, encountered much opposition, notably from Canadian delegates, and had to be abandoned. In this, as in everything else pertaining to the British Commonwealth, institutions and machinery common to the whole society must and can only be the incarnation of the will to act together, and this in its turn, as we know, in every case represents a natural, unhurried development produced partly by the pressure of events, both internal and external to the Commonwealth, and partly by the working of the basic forces which have created it and are all the time strengthening and expanding it. If any guess in this matter is legitimate, we might venture to look to the various Commonwealth delegations to Geneva, with the United Kingdom's Minister for League of Nations Affairs as a central rallying-point, for the evolving, in due time, both of a co-ordinated Commonwealth foreign policy and for the appropriate machinery to control and execute it.



## CHAPTER V

### THE EXPANDING COMMONWEALTH

(iv)

#### *Empire Economic Policy (i)*

THE next part of the plan at which we may try to look is the economic part. In these days it is only natural that one of the first subjects to engage our attention when we talk about the future of the British Empire is the question of its economic organisation. Of late years, indeed, this question has, perhaps naturally, overshadowed the other and intrinsically far more important questions which we have already been discussing. Yet, strange as it may sound at first, the question of inter-imperial economic relations is not one of the primary problems of imperial organisation. It is the greatest of all the secondary problems, and its solution will be a consequence of the solution of the primary problems which have occupied us in the preceding chapters. This statement must not be misunderstood. Economic processes in general, the activities by which we wrest the means of livelihood from nature, are, of course, of overwhelming importance to us all, and furnish mankind with their most urgent and abiding problems. But the problems which face us when we consider this question of imperial economic organisation are different from those which arise out of the conduct of economic pro-

cesses as such. We are thinking now of the part to be played by economic relations in the organisation of the Empire. When we think of them in this way we at once perceive the obvious truth that without the existence of the Empire there would be no problem of inter-imperial economic relations. As it is, the solution of the problems which we are now discussing will be determined by the ways in which we solve those fundamental problems of association and co-operation within the Empire which have engaged our attention hitherto.

But, once we have got the general problem of inter-imperial economic relations in its proper perspective, we can then admit that it does indeed face us with a number of questions of very great importance to every citizen and to every part of the Empire. We shall see later, in the discussion on Migration, how matters of inter-imperial trade and commerce have a direct bearing on the distribution of the British people throughout the countries of the Empire; that is, on the very life-stuff of the Commonwealth itself. To put it as simply as possible, the proper organisation of the economic activities of the different parts of the Empire is a necessary element in the organisation of the Empire as a whole. But the form which the economic organisation of the Empire is to take must, and will, be determined by the form and conditions of inter-imperial co-operation in general. It is worse than idle, it is mischievous and dangerous to try to evolve some ideal scheme of inter-imperial economic relations to which all other relations must be fitted and must conform. Such an attempt is to try to make the part include the whole and is doomed to failure.

Let us understand quite clearly why we want to improve the economic relations between the different

countries inside the British Empire, and why we want to use British capital, as far as possible, in British rather than in foreign countries. We want to do so because we know that in the process we are doing something far more than merely improving the material welfare of the countries concerned. We are increasing the capacity of some of them to absorb British immigrants, with all that this means to the future of the Commonwealth, and we are extending and strengthening the material bases of the whole Empire. It can be freely admitted that, from the purely material point of view, it is sometimes more profitable to us to trade with foreigners rather than with Empire countries. But, on the other hand, inter-imperial trade is steadily becoming more and more materially important to almost every country in the Empire, and there is not the slightest reason why the fostering of inter-imperial trade should injure the foreign trade of any country either inside or outside the Empire. Indeed, it will be argued later in this chapter that the active stimulation of trade within the British Empire must be of benefit to foreign nations as well as to the countries primarily concerned.

But trade exchanges, important as they are, form only one element of the whole great problem of inter-imperial economic relations. Equally important is the question of movements of capital inside the Empire, and we shall have to consider how far it is possible and desirable to control our investments in view of the fact that the Empire, in spite of its scope for development, is a net exporter of capital. Then there is the question of monetary policy and the scope for co-operation in regard to it between the different countries of the Empire. The proper development of the Dominions

and colonies is very closely bound up with investment and monetary policies and provides us with another set of problems. Inter-imperial trade represents that side of economic activity which most obviously and directly affects the masses of the people and it is, therefore, inevitable that it should tend to be regarded as the whole field of the Empire's economic activities. This, also, is a fallacy against which we must guard.

All that has been said in the preceding chapters postulates the need for a policy of economic organisation for the Empire, a policy consistent with its characteristics and circumstances. But before we turn to the discussion of the governing conditions of such a policy it may be of benefit to us if we spend a few moments in considering the real meaning of the word 'economic,' in the connection in which we are now using it. In recent years some schools of economists have tried to detach economics entirely from the day-to-day life and work of the world. They have developed the theory of their subject with a subtlety as refined—and as barren—as that of the medieval schoolman who allowed the profoundly important question of the difference between spirit and matter to develop into the answering of such conundrums as, 'How many angels can dance on the point of a needle?' Some present-day economists have even tried to maintain that the 'laws' of their subject have the same validity as the laws of physics or chemistry. This is sheer nonsense. There is a vast amount of valuable work to be done by economic analysis in such branches of economics as international trade, banking and money, the organisation of industry, and many others of equal importance. But even here, analysis and theory should never lose touch with reality. The basic truth is that

economics is the study of one immensely important side of human activity, which cannot be detached from the other sides but forms together with them the whole complex of human conduct. There is no such thing as a purely economic action. Because all economic activity is no more than one branch of human activity it is performed with a motive and for an object and is, therefore, subject to and conditioned by all manner of non-economic influences. Let every man and woman consider how he or she disposes of income and then it will be realised how whole tracts of so-called economic action are governed by ethical, political, personal and other motives. The same is true of the economic policy of States. It is idle for anyone to complain that a nation's economic policy is violating the laws of economic science. Every specific problem arises in a situation which is a complex of economic, political, international and other elements, and all these together necessarily determine its solution. All this means, quite simply, that our economic activities are all part of our efforts to realise the fullest and best life of which we are capable and that, ultimately, they are directed according to our ideas of what is the best life. Economic policy is one of the instruments we use to achieve our purpose. It is not something imposed on us by external conditions beyond our control.

Yet having said this, it may be necessary to affirm that there are limits to what can be done at any given time by any one act of policy. International trade, for example, runs along channels as clearly marked to the seeing eye as the physical channels of the great rivers, and the great channels of trade cannot be violently disturbed without catastrophic results, any more than

can the channels of the Indus or the Mississippi. The economic and financial organisation of a nation and its commercial relations form a system which is highly complicated and easily upset. Great mischief can be done by trying to benefit one interest or group of interests without considering the effects of the action proposed on the rest of the economic interests concerned. Tariffs and quotas in this country, for example, may benefit the farmers and certain manufacturing interests, but they damage our shipping and other industries to which our overseas trade is everything. In a word, there are fairly narrow limits set to what can be safely attempted by any economic policy at any given time. In considering the possibilities of an imperial economic policy we must, therefore, think in terms of a long-period and not a short-period policy.

The argument in favour of a long-term, comprehensive imperial economic policy can be stated quite simply. In the first place the scope for economic development inside the British Empire is practically unlimited. The Empire is able to absorb effectively all the capital that we can produce. In the second place, the most serious dangers will arise in the future from the continuance of the haphazard, sufficient-for-the-day policies which marked our imperial history until very recent years. The Balfour Committee on Industry and Trade, reporting between 1927 and 1929, noted the strange and disturbing fact that 'the main increases of tariff rates on British Exports have been within the British Empire.' But the merely protective side of economic nationalism in Empire countries (including the United Kingdom) is not the whole story. Sooner or later in the industrial development of a country comes the necessity for finding markets

for exports. This stage has already been reached in several countries of the Empire, and already the beginning of rivalry between the United Kingdom and at least one of the Dominions for external markets for manufactured goods has appeared, whilst the tariff war between the Irish Free State and the United Kingdom, and the smaller affair between Canada and New Zealand are well known. In the possibilities of inter-imperial friction and rivalry revealed by these and other incidents lie very grave dangers for the whole Empire, and it is clear that tariff agreements and preferences alone cannot be a final solution for the problem which they provide. It would not be possible for any Empire country to continue to foster by preferential tariffs or other aids the industries of a trade rival. Here, therefore, is an element in the general problem of imperial economic relations which will admit of none but a fully comprehensive solution.

Among the peoples of the self-governing parts of the Empire there is general recognition of the fact that their membership of the Commonwealth imposes certain conditions on the conduct of their external affairs. Indeed, we have seen not only that the evolution of a joint Commonwealth foreign policy is one of the most urgent tasks in front of us, but also that anxious consideration is being given in every part of the Commonwealth to the problem of how the desired co-operation in foreign affairs is to be carried out. In view of all this it is, to say the least, very surprising that economic policy should be regarded in a very different spirit. It is far too often assumed that in matters of economics each Empire country can be completely independent, and that it is enough for each to do whatever it can, without

harm to itself, to foster inter-imperial trade, partly, it is true, for reasons of sentiment, but primarily because it is good business.

This is a mistaken view, but it is most important that this blunt statement should not be misunderstood. There can be no limitation whatever of the complete fiscal and financial autonomy of every self-governing member of the Empire. There can be no question of the impossibility of making one great customs union out of the whole British Empire with a tariff wall around it against the outside world. There can be no question of the impossibility of creating a central all-Empire economic authority to lay down the tariff and general economic policy of the different British countries. These and other similar proposals which have been mooted in different quarters are simply dangerous nonsense. They are bad economics, bad politics, and some of them, at any rate, bad morals, and they fly straight in the face of all the economic, political and spiritual development of the Empire during the past century. What is meant by saying that it was a mistake to assume that every self-governing country in the Empire could be completely independent in economic matters is this: Since economic policy is only one part of a nation's general policy, it follows that it must conform, in the last resort, to the objectives which the general policy seeks to achieve. Now we know that among the objectives of all the nations of the British Commonwealth one of the most important is the survival and strengthening of the Commonwealth itself. But, as we saw from the considerations which flowed from the Balfour Committee's revelation, the conduct of economic affairs and policy hitherto in the Commonwealth has been such as to make them into a



possible disruptive force. And this danger arises simply from our inability to see our problem as a whole. We must apply the same criteria to our economic policies as we apply to our political activities; that is, they must be consistent with the spirit and organisation of the Commonwealth. Each British nation must and will continue to have just as complete a control over its own economic affairs as ever it had, only there must be co-operation between the different countries. The economic organisation of the Commonwealth and Empire must be the analogue of their political and diplomatic organisation.

These are the arguments, from the point of view of broad imperial considerations, for the deliberate and rational organisation of the economic life of the Empire. The background of world conditions against which we must set our problems so as to see them in their proper perspective is well enough known to everybody. We must remember that any action we may take in the sphere of inter-imperial economic relations will necessarily affect, either favourably or unfavourably, the economic relations of all the countries concerned with other countries outside the Empire. Here, in the United Kingdom, our long-established world-wide trade contacts make it impossible for us to forget that all-important truth. Also, our nearness to Europe with its depressed industries, its millions of unemployed and its menacing social and international conditions, themselves the result chiefly of the prevailing economic stagnation to-day, reinforces the lessons we have learnt as the world's greatest traders. We know that in the prevailing state of international economic relations we could not do a worse service to ourselves and to the Empire than by embarking on an imperial economic policy designed

to benefit the countries of the Empire alone at the expense of our economic relations with foreigners. Any action of ours which reduced the quantum of world trade—already at a dangerously low level—would obviously damage us in the end. As the world's greatest market, and as the centre of the British Empire, this country has a quite peculiar obligation to see that whilst remaining good Imperialists we remain also good citizens of the world.

During recent years much economic controversy has raged round the question of whether the organisation of inter-imperial economic relations must necessarily reduce the quantum of world trade. That this question could be put and seriously debated is proof that such organisation is regarded as being synonymous with tariff and other restrictive policies. It is clear that the really important constructive possibilities in the organisation of imperial economic relations are not even considered. The exposition of these possibilities will occupy our attention later on. Here, it is only necessary to say that an increase in the quantum of inter-imperial trade can be achieved without a corresponding reduction in foreign trade, and that anything which increases the welfare and the economic strength of the British nations, including the most important market in the whole world—the United Kingdom—can hardly fail to benefit the rest of the world both directly and indirectly. The first volume of the final report of the Ottawa Conference, that in which the trade agreements are published, contains the following expression of opinion on the part of all the delegates concerned: 'By the lowering or removal of barriers among themselves provided for in these Agreements the flow of trade between the various

countries of the Empire will be facilitated, and . . . by the consequent increase in the purchasing power of their peoples, the trade of the world will also be stimulated and increased.' This is a serious pronouncement which deserves serious consideration, and it is a matter of history that since the Ottawa Conference the trend of tariffs in the Dominions has been downwards. Improved conditions have, no doubt, contributed something to this downward movement, but the whole process strongly supports the argument that the Ottawa policy does not bar the way to progressive freeing of trade between the different countries of the world.

It will be useful at this point to clear our minds on the subject of tariffs. The old 'Protection *versus* Free Trade' controversy has been laid to rest in this country for the present, perhaps for the next generation. It was killed, not by the legislation of 1932 but by the progress of events, for the Import Duties Act did no more than register a policy forced on by national and international economic developments. It is not possible to say at present whether tariffs will ever regain their old importance in economic policy or whether the new technique of individual trade treaties with their quotas, embargoes, clearance certificates and the other regulatory devices have not relegated them finally to the second place. But even if this has happened, all that can be said about tariffs can be applied to their successors. What can be said with confidence is this: Although each Empire country must be left to use its tariff in the way best calculated to enable it to work out its part of the solution of the imperial problem, there should, indeed, if a general policy is to be carried out at all, there must be, close co-ordination in tariff affairs throughout the

Empire, a development which, incidentally, would lift tariff policy out of the morass of party politics. In the diplomatic sphere the Imperial Conference of 1926 laid down that no Empire government should carry on conversations or communications with a foreign power without informing every government of the British Commonwealth whose interests would be affected. It was also laid down that no government ought to enter into a treaty affecting another Empire government without the latter's positive consent. This is a principle which can be applied to the economic sphere. It should be possible to reach a position in the future in which no Empire government would make important changes in its tariff arrangements without full consultation with the other Empire governments. An approach towards the establishment of this principle was made, as we shall see, at Ottawa. The point to be grasped here is that we must not become the slaves of dogmas but must adapt our tariff arrangements as required from time to time in pursuance of a comprehensive long-period policy of Empire economic development, carefully conceived and thereafter followed with determination.

Thus, the way is now fully open to preferential or reciprocal tariff arrangements between the different countries of the Empire, provided always that we are all working in co-operation to achieve a common ultimate object. Without such a comprehensive policy as is here visualised, preferential tariff concessions between the different British countries can only be more or less temporary things. Every Empire country will ultimately reach a stage in its economic development when it will begin to compete with the United Kingdom in the world's markets, and since business knows no senti-

ment, preferential tariffs and other more precious things will be lost in the ensuing clash. Given the common policy and objective, however, preferential and reciprocal tariff arrangements can be used with calculated effect, because they will be part of a rational programme.

The ideas contained in the preceding paragraphs are rapidly spreading and are becoming widely accepted all over the Empire. But even now, the mere mention of a general Empire economic policy is still liable to give rise to misunderstanding. Yet it need frighten nobody, not even the most extreme nationalist here or in the Dominions. The present British Empire, and even more, that part of our first Empire which is now the United States of America, owes its existence to the determined execution of imperial policies, boldly conceived and fully in accord with the knowledge, ideas, and conditions of the times in which they had their setting. Writers in the sixteenth century, at the very dawn of our expansion overseas, give sound economic reasons as motives for colonisation, and Sir Charles Lucas has shown in his own inimitable way how the Licensed Company was the favourite English agency for colonisation as well as for trade, and that from the beginning, with the notable exception of the Puritan colonies, outward expansion was initiated and promoted chiefly with a view to returns in the form of trade. British history during the eighteenth century is a grand commentary on this theme of calculated and organised expansion and economic development of Empire, and even the crowning misfortune of the loss of our American colonies, which was far from being entirely due to mistaken policy and foolish men in the mother-land, should not blind us to the merits of the old imperial

policies and Empire statesmen. Neither Adam Smith nor John Stuart Mill can be accused of bias in favour of government control in economic matters, or of easy acquiescence in interference with the operations of trade, but they both agree concerning the beneficial effects of the Navigation Laws on the wealth and power of this country.

The nineteenth century was mostly a period of drift in imperial affairs and policy. The peculiar industrial and general economic circumstances of this country, and the growth of national sentiment in the colonies which found its issue first in responsible self-government and the rise of individual economic policies for each colony and then in the further advance to Dominion status as now understood, necessarily led to an apparent divergence between the economic interests of the mother-country and her colonies and to the temporary impracticability of any definite policy of imperial economic development. But it is a striking and very hopeful feature of the history of the centrifugal movement of the nineteenth century that every extension of self-government in the colonies has had a reflex in a movement for closer voluntary co-operation within the Empire. Of peculiar significance is the fact that the economic side of these movements has been led in the past by colonial statesmen voicing colonial opinion. Sir Julius Vogel, in New Zealand, seems to have been the first to stress the economic unity of the Empire as against the outside world, and a brilliant Canadian student of imperial economic history, the late Mr. C. D. Allin, has shown how the conception of imperial preferential trade first grew up in the colonies and was later adopted by statesmen and others in the mother-country. The question of imperial preference

came up on the initiative of colonial statesmen at the first session of the Colonial Conference in 1887, and thereafter it figured regularly at sessions of the Conference. In short, the leading minds in the colonies, now the Dominions of the Empire, revived the imperial ideal earlier than statesmen of the United Kingdom: at any rate that aspect of the ideal which was concerned with an imperial economic policy suitable to the circumstances created by all that had happened in Empire and world politics, economics, and industry since 1776. The Fair Trade movement of the last century and the Tariff Reform movement of the early years of this century passed, leaving but little noticeable result on the economic policy of this country. The time was not yet ripe for the inception of a new, comprehensive imperial economic policy. During the nineteenth century great changes in world economic conditions and in the economic powers and positions of the leading nations had taken place, but the changes had been slow and imperceptible, eluding popular notice.

We began to lose our commercial supremacy, but, right up to the outbreak of the Great War, it was heresy to challenge the fitness for our changed circumstances of the Free Trade System. Those who, with greater foresight, proclaimed the promise and the possibility of organising the Empire as one economic system found that their countrymen were not yet ready to listen to them. The Great War and the consequent collapse of the old system, however, justified them, and have forced us, through dire necessity, to begin the economic organisation of our Empire. And yet, even now, there is a feeling in some quarters that *laissez-faire* is inherently more right, has greater moral justification than an organised and

regulated economic system. This feeling is a legacy from the golden age of British industrialism when the whole world was our market and we had no serious competitors. It was easy enough in those days to see in Free Trade an example of international friendship and to believe that war might be abolished by the sheer prosperity which must follow on the complete removal of all barriers to international commercial intercourse.

This belief was too naïve, and those who professed it knew nothing, naturally, of the immense complexities of modern problems of international trade and economic organisation generally, the causes of which were examined in the first chapter of this book. Iconoclasm is a favourite occupation of these days, but it is usually ungracious, and, sometimes, offensive. It is necessary, however, in spite of this danger, to examine critically the ideas and motives of those who carried the Free Trade movement to success in this country nearly a century ago. Only by doing so can we get rid of the idea that there is some intrinsic moral quality in Free Trade which is absent from other systems.

The leaders of the Free Trade movement were mostly men of deep religious convictions; and they saw, rightly, in the general poverty of the 'hungry forties' a great moral evil, for it was, partly, due to unjust use of political power in high quarters. No more proof of this is needed than the arguments used by John Bright in his tremendous philippic in Covent Garden Theatre on 19th December 1845. But the reformers took this side of the old protective system for the whole story. They spoke of the interests of Britain and of humanity, but they certainly identified these in practice with the interests of the manufacturers of this country. Added to their humanitarian desire to



relieve suffering by improving the material condition of the people was the desire to cheapen manufacturing costs by ensuring cheap labour as the result of cheap food. This was a perfectly legitimate ambition, and it is impossible to deny that the vast industrial expansion of this country during the greater part of the nineteenth century was very largely, but by no means wholly, due to Free Trade. Inventive and mechanical ability, financial power, native energy, and the fact that we were the first in the field, all played their part as well as Free Trade. But the leaders of the Free Trade movement limited their view to a very narrow field. They cared little for the effects of their policy on the agriculture of their own country, and they cared still less, for they cared nothing at all, for its effect on the Empire. They wanted to get rid of the Empire, and they chose a particularly cruel way of effecting their object, although, again, cruelty was no part of their purpose. They thought that they were acting in the ultimate interest even of those whom they were injuring. Nevertheless, there are few things in our history so painful as the effects of Free Trade on the British Empire of the middle nineteenth century. The thriving transport and wheat-milling industries in Canada were killed, and the economic system of the still tiny community of that country received a deadly blow. Cobden's treaty with France in 1860 killed the growing wine trade of Cape Colony, and earlier than either of these examples, the removal of the old imperial preference on wool and the placing of this commodity on the free list by Peel in 1844 involved Australia, already deeply depressed, in still further troubles. No considerations of any sort must hide the truth. As far as our Empire was concerned,

Free Trade in the 1840's was the counterpart of the worst form of economic nationalism to-day. Literally, we ignored the interests of all our own people all over the world, at home as well as overseas, in the successful attempt to serve our rapidly growing manufacturing interests. It is possible, but it would also be now unprofitable, to argue that but for this violent change in our imperial economic policy all the British Dominions would have had a much more 'natural' economic development. They would have concentrated on their primary and extractive industries and would have experienced a much slower and more balanced growth of secondary industries. But now, it is three-quarters of a century too late to think of that. How very narrowly the Free Trade leaders conceived even the humanitarian side of their policy may be seen from the fact that some of them were among the most active and influential opponents of attempts to improve the conditions of the labouring masses by legislation, including attempts to remove some of the worst horrors of child labour. Well might a Canadian historian, Professor Innis, say bitterly at the Sixth International Studies Conference in London, 'The success of *laissez-faire* has been paid for by the exploited areas of which we are one.' And now, so completely have our economic conditions changed that the modern representatives of the old Free Trade industrialists are the leading protectionists of our days and among the keenest advocates of imperial economic organisation. The truth is that from the middle nineteenth century onwards, Free Trade was the best policy for our dominant economic interests. But conditions are different now, and a very different and far more comprehensive policy is now called for. What is that policy to be?

## CHAPTER VI

# THE EXPANDING COMMONWEALTH

(v)

### *Empire Economic Policy (ii)*

IN considering what sort of an economic policy we are to seek for the Empire, we must follow the only sound and fruitful method open to us, which is to ask ourselves if our previous experience and actual developments of the past in inter-imperial economic relations can act as our guide. We have already seen that any imperial economic policy which is to have a chance of becoming effective, and, above all, is to be a unifying, integrating element in the general development of the Empire must be completely appropriate to its general spirit and organisation. We must look, so to speak, for a form of 'economic Dominion status,' that is for free and voluntary co-operation in economic affairs analogous to that which exists in the political sphere. To state our problem in these terms is to take it at once outside the narrow range of merely immediate objectives, and to proclaim that in essence it cannot be a thing of *ad hoc* agreements, of cunning formulae, or rigid machinery. We must look, for example, for something more than the policy of the Ottawa agreements. The reader will notice that we speak here of 'the policy of the Ottawa agreements,' and not of 'the Ottawa policy' simply, as is usual. For the

Ottawa Conference results fall into two halves—the agreements, and a largely ignored half, the work of a number of committees and sub-committees. In this ‘unknown’ half of Ottawa lies, perhaps, one clue to the problem which is now before us. Co-operation, therefore, is the keynote of the policy we are seeking.

When we examined the existing political organisation of the Empire, we saw that there was already in existence a certain amount of machinery for co-operation, and that there was, in fact, much more actual collaboration between the various members of the Commonwealth than was apparent to the casual observer. This collaboration, we saw, extended to some of the most important purposes in which it is possible to collaborate. In the same way, we find when we look to past developments in the field of Empire economic relations that a certain amount of machinery for economic co-operation has grown up, in spite of *laissez-faire* and the absence, until very recent years, of anything like a consistent imperial economic policy. We find also that the importance to practically every one of the Empire countries of its trade relations with the rest of the Empire is such as to give to the latter something of the character of one great economic unit. Let us examine this last point before we go on to the very interesting matter of machinery for inter-imperial economic co-operation.

According to figures given in Sir George Schuster’s Empire Trade Supplement to the *Economist* of 3rd November 1934, the United Kingdom’s imports from British Empire countries, expressed as a percentage of her total imports, rose from 24·9 per cent. in 1913 to 36·9 per cent. in 1933. The figures for 1934, which were not available when the supplement was compiled, show

that during last year the percentage of the United Kingdom's total imports which came from Empire countries was 37·07. The corresponding figures for exports from the United Kingdom are 32·9 per cent. in 1913 and 41·8 per cent. in 1933. In 1934 the figure is 46·86 per cent. The figures for the principal overseas British countries individually do not reveal such a steady progress in inter-imperial trade as is shown by the United Kingdom's figures. Thus, taking the figure for India, Canada, Australia, New Zealand and South Africa, as given in Sir George Schuster's tables, we see that, with the sole exception of Canada, the percentage of imports from the rest of the Empire, when expressed as a percentage of total imports, declines somewhat between 1913 and 1933. Also, except in the case of Australia, each of the above-mentioned countries reduced the percentage of the total exports which it dispatched to other parts of the Empire. Nevertheless, in 1933, only Canada took less than 50 per cent. of her imports from Empire countries, and only Canada and India sent less than 50 per cent. of their exports to the same quarters. And even Canada sent 47·7 per cent. and India 46·2 per cent.

When we consider the developments and changes in world economic conditions and in the conditions of international trade since 1913, these figures are really remarkable. They cover the period of the emergence of new competitors, the growth of economic warfare carried on by means of bounties, subsidies, currency depreciation and all the other devices of the new economic policy, and the most strenuous periods of the economic nationalism of the British countries in the post-War era. They cover, too, the deplorable dispute between the

United Kingdom and the Irish Free State, with its consequence of a severe drop in the trade between the two countries. But for this, the figures would have been even more remarkable than they are. The figures become all the more significant when we realise that in 1933 the value of our exports to the rest of the Empire differed only by a negligible fraction from the value of our exports to the whole of Europe and the United States of America combined. Only Canada, of the major countries of the British Empire, has trade relations with any individual foreign country of anything like the same importance as her relations with the rest of the Empire.

Moreover, the figures as given above do not tell the whole story. They are, in fact, in some respects misleading, in that they attribute, on the face of them, less importance to the inter-imperial trade of each Empire country during the post-1929 depression, than it actually has. Sir George Schuster, in another part of his most illuminating memorandum, gives the following table:

TABLE 5. PERCENTAGE FALLS IN VALUE OF EXPORTS FOR 1933, AS COMPARED WITH 1924-29

	<i>Exports to United Kingdom</i>	<i>Exports to Foreign Countries</i>
India	40·9%	64·1%
Canada	44·4%	57·5%
Australia	31%	49·4%
New Zealand	28·9%	60·3%

Thus, these major Empire countries have suffered during the slump precisely in proportion to the importance of their foreign trade. Expounding this point, Sir George takes the case of India as an illustration.

'India, of all the Empire countries which we are now considering, has relied most on foreign markets and is most dependent on their recovery, having only placed about 23 per cent. of her exports with the United Kingdom in the pre-War period and up to 1929; and India shows the worst fall in her exports and the slowest recovery. In 1933, in fact, the total value of her exports of merchandise was only 66 per cent. of the value for 1913 and 42 per cent. of the average value for 1924-29. New Zealand, on the other hand, which relies on the United Kingdom market for about 80 per cent. of her exports, had in 1933 exports which represented 156 per cent. of the 1913 figure, and 64·5 per cent. of the 1924-29 value. Canada and Australia, which as regards reliance on the United Kingdom market, come about half-way between these two extremes, exported in 1933 goods of a value representing respectively 129 per cent. and 106·5 per cent. of their 1913, and 47·7 per cent. and 58·2 per cent. of their 1924-29 exports. It may, of course, be said, in answer to this presentation of the case, that the better position of Canada, Australia and New Zealand is due not so much to their greater reliance on the United Kingdom market as to the nature of the goods which they export, inasmuch as they rely to a greater extent than India on the export of foodstuffs, which have had a comparatively good market throughout the slump, especially in England, where the policy of unemployment relief has resulted in a remarkable maintenance of the standard of living. But to the extent that this is true, it merely serves to bring out one of the chief factors of stability in the United Kingdom market. Moreover . . . the comparison is worth making if only to meet the point of those who argue that it is dangerous for a country to rely, as New Zealand does, preponderatingly on one country for its export market. If the country relied on is a stable one, and if there is some

variety in the commodities exported, that is probably a safer position than to rely preponderatingly on the export of one or two commodities which cannot be absorbed unless the whole world is prospering, and which are liable to be replaced by substitutes.'

The figures quoted in the preceding paragraphs, and the extract from Sir George Schuster's memorandum, show that the chief countries of the British Empire, and particularly of the Commonwealth, rely for their economic prosperity to an increasing degree on the rest of the Empire. Before the slump it was a commonplace that the United Kingdom meant less to the Empire, from a material point of view, than the rest of the Empire did to the United Kingdom. So knowledgeable and friendly a foreign observer as M. André Siegfried was at one in this matter with a staunch Imperialist like Mr. F. L. McDougall, of the Imperial Economic Committee and Empire Marketing Board. And, indeed, before the great depression, it did seem as though the United Kingdom were doomed to increasing weakness and growing dependence on her daughter nations. But this has changed. The struggle for life of the past few years has brought to the fore the traditional stubbornness of the British stock and their power to rise superior to their circumstances no matter how difficult they may be. The incidents of the economic warfare, which has grown continually more intense as the depression deepened, has forced them to look to each other for help, and has set their feet firmly in the way of co-operation. We learn, therefore, from this survey of past experience, brief and incomplete as it is, that in this important matter of trade relations, practically all the Empire



countries are bound more closely to each other than they are to any individual foreign country, and some of them are, even, bound more closely to their sister countries than to all the rest of the world combined.

To the outer world, and, indeed, to the peoples of the Empire, the most impressive sign of the existing degree of economic interdependence and growing unity inside the Empire is provided by the Ottawa Conference. So many events of fateful importance to the whole of mankind have been crowded into the three years which lie between the present time and the Ottawa Conference that it is inevitable that we should forget how closely world attention was concentrated on the Conference—before it met, during its continuance, and for some time after its dispersal. It ranked among the leading news items in the world's Press for weeks, and an immense gathering of journalists in Ottawa itself interpreted its doings for the people of their many countries. It even figured, in one way or another, in the business of some foreign legislatures. And this intense interest was due, not only to the fact that the *League of Nations Statistical Year Book for 1930-31* had shown that the trade of the British Empire was no less than 27·40 per cent. of the total of world trade, although, of course, anything which affected this important share of international trade must, *ipso facto*, deeply affect the remainder. The general interest was due largely to the fact that foreigners felt, almost as keenly as the people of the Empire themselves, that the British Empire was at an important turning-point in its destiny, and we have seen the reasons why they should feel that this was some concern of theirs also. It is well that we should remember this, and still better that we should remember how the people

and the governments of every British country throughout the Empire looked to Ottawa with the keenest anxiety, for the belief that the consequences of failure would be disastrous for the whole future of inter-imperial relations of all sorts was universal. The great depression was nearing its lowest depths for some of the British countries, and statesmen and captains of business and finance everywhere were looking desperately for some alleviation of the prevailing economic ills. Even to-day there are many who will say that the Ottawa Conference failed to achieve any lasting good, but they are a dwindling band. It is true that we cannot show in figures the effects of the Ottawa agreements on trade, and it is true that from the moment the agreements were concluded, right up to the present time, recriminations between conflicting interests in different parts of the Empire have never ceased. It is true, also, that the Ottawa Agreements will have to be revised in important particulars. Mr. Elliott has made that fact quite plain within the last few months. Nevertheless, the trade agreements concluded at Ottawa—to confine our attention for a moment to that half of the proceedings—did open a new era in inter-imperial economic relations, for they marked the acceptance of the truly important principle, by all the Empire countries concerned, that the corner-stone of economic policy in every British country in the future was to be reciprocally preferential trade. World economic conditions have been too abnormal during the past three years to make possible anything like a reasonable estimate of the effects of the agreements on Empire and foreign trade even now. We have seen, however, that since the Ottawa Conference the United Kingdom has become more important as a market for the rest of the

Empire than she was before, and that her own position in Empire markets has improved. In view of Great Britain's position in the world economic system, it is not possible that some, at any rate, of the benefits which she has derived should not have been passed on to foreign countries.

There is no need to deal here with the innumerable details of the Trade Agreements. They were really an attempt to solve the short-term part of the problem of imperial economic relations by improving the trade—and, consequently, the level of employment—of each Empire country immediately. As we have seen, they will have to be modified, and over a course of years will change profoundly in character and scope as events determine. They are, in fact, the more or less changeable expression of the will to co-operate which is now active throughout the Empire. Even so, there are two provisions in the Agreements which deserve to be honoured by the name of principles. The first is the undertaking given by Canada, Australia, and New Zealand that the duties which they considered it necessary to maintain against United Kingdom goods should not exceed such a level as might give the producers of the mother-country full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production. Infant industries, however, were to be given special consideration. These three countries, with Newfoundland, also agreed that they would give tariff protection only to those industries which were sound and thus reasonably assured of success. The second provision referred to was that under which the Dominions and India promised to give to the countries of the dependent Empire the same preferences as they gave to the mother-

country, provided the latter used her influence to induce such countries as were not forbidden by international agreements to do so to grant to the Dominions the same preferences as she herself received. It is common knowledge that the first of these two provisions, the 'fair competition' clause, has given rise to much trouble, and that the actions of the Canadian Tariff Board in particular, which was set up under the Agreement, has been hotly attacked by some manufacturing interests in the United Kingdom. Also, it is known, but not so generally, that Ceylon and the Straits Settlements, as important entrepôts, did not want to come within the orbit of the Ottawa Agreements. These are difficulties of more than transient character and importance, and it is for conferences and negotiations and acts of co-operation in the future to wipe them out. The fact remains that these two provisions contain great possibilities for the future of inter-imperial economic co-operation and integration in spite of the difficulties to which they have given rise.

Before we leave the Ottawa Agreements and pass on to the matters—of vital importance to our present theme—which were dealt with in the 'other half' of the proceedings at the Conference, we might profitably notice a few general conclusions to which the Agreements lead us. In the first place, it is clear that for the first time in the history of inter-imperial economic relations an effort has been made to draw up a body of agreements and principles applicable to the whole of the self-governing parts of the British Empire, based on reciprocal interchanges of benefits. Both during and since the Ottawa Conference much has been said, both in the various Empire parliaments and in the Press, about

bargaining at Ottawa, and in some quarters this has been adduced as a reproach both to the statesmen present at the Conference and to the proceedings. Actually, the attempt to place, for the first time, imperial preference on a logical, and, at any rate as far as the Empire countries are concerned, a satisfactory basis, could not do other than lead to an intensive examination of every proposal made, to frank expressions of opinion, and to candid assertions on the part of the spokesmen of every one of the Empire delegations of their primary duty to safeguard the interests of the people of their own country. When it is remembered that every one of the major Dominions represented at the Conference has world-wide trading interests, the results achieved are seen to be significant. Preferences have been given and taken by all the self-governing British countries in many of the most important of the articles which enter into international trade. The mother-country has shown herself willing, for the first time for almost a hundred years, to tax her food imports, and even some of the raw materials of industry, in order to give preferences to the Dominions. The latter, on their side, have, in every instance, lowered barriers against many products of the mother-country in face of strenuous opposition from the side of interested parties inside their borders. It must be remembered that just as Sir Herbert Samuel and his colleagues resigned from the British Cabinet because they said the Ottawa Agreements had resulted in a general raising of tariffs rather than in a reduction, so Messrs. Hawker and Fenton resigned from the Australian Government because they and a number of important colleagues believed that Ottawa had resulted in a dangerous lowering of tariffs. On this point, our examination

leads us to the conclusion that, as far as British countries are concerned, there has undoubtedly, on balance, been an important lowering of tariff barriers between themselves. In the Dominions some of the duties on United Kingdom goods are still prohibitively high, but these duties are imposed as a matter of set policy and the manufacturers of the United Kingdom will adapt themselves to them and realise that certain sections of the Dominions markets are outside their scope. On the other hand, signs are not wanting that the United Kingdom's agricultural, pastoral, and dairy industries will in future be protected even against the Dominions. All these points were made perfectly clear at Ottawa, and the spokesmen of the different delegations recognised that the principle on which they were working then, and on which they would have to work in the future, was in each case the home country first, and other Empire countries second. As far, then, as the British countries themselves are concerned, the Ottawa Agreements ought to lead to increased freedom of trade and to some increase, at any rate, in inter-imperial exchange of goods. In this connection, the words of the leading Free Trade, or, at any rate, low-tariff newspaper in Canada, the *Manitoba Free Press*, after a serious discussion of the Ottawa Agreements between Canada and the United Kingdom, says: 'The crumbling of the tariff wall in Canada has begun.' It is well known that in Australia there is a widespread belief that the reductions of the Australian tariff agreed at Ottawa are only the prelude to still more sweeping changes. But, of course, none of the British countries, and not even the British Empire as a whole, can prosper unless the rest of the world is also prospering. This, it might be noted, was

not only recognised by all the spokesmen of the British countries represented at Ottawa, but was continually repeated by them. It is impossible to read any of the speeches delivered before the very important Committee on monetary and financial questions by the leading Empire statesmen, without seeing how each one of them had in the forefront of his mind the necessity for doing nothing that would injure world recovery or jeopardise the prospects of the forthcoming World Economic Conference. Nevertheless, it is clear from what has already been said that the immediate results of some of the Ottawa Agreements must be to restrict, to some extent, the trade of many foreign countries with the Empire, and to lead to increased severity of competition between foreign countries in non-Empire markets. But, taking the wide view, the increased prosperity of the British Empire must mean ultimately the increased prosperity of the rest of the world, and as things are now, inter-imperial co-operation is the way to prosperity. It is a common charge against the Ottawa Agreements that they stabilise tariffs at a high level. This is not true. They do not fix any general level for tariffs. A survey of conditions all over the Empire shows that the Free Trade, or low-tariff sections are nowhere negligible. In some of the Dominions they are gaining strength, as witness the last general election in Australia, and the present strength of tariff revisionist feeling in Canada, whilst the United Kingdom's intimate world-wide economic interest will prevent the extreme high-tariff school from gaining the upper hand there. It is clear that the British Empire has, for a time, at any rate, entered on the policy of co-operation in trade, and the closer the co-operation becomes the more important will

the circumstances, and therefore the opinion, of the people of the United Kingdom become. Even after Ottawa, the United Kingdom is still not in the ranks of the high-tariff countries, and her influence will always be in support of lower tariffs. The formation of a 'low-tariff club' is still the aim of many of her statesmen, and membership of such a club would not debar her from giving preferences to her Dominions, for we must now take Imperial Preference as a fixed point in the economic policy of the United Kingdom. According to the Ottawa Agreements, certain duties cannot be lowered for a period of five years without the consent of the Dominions concerned, but if the United Kingdom retains her low tariff predilections the end of that period should see the possibility of a reduction of these tariffs also. These statements are no more than opinions, but they represent reasonable deduction from existing circumstances and opinions.

As regards the dependent Empire, it is not too much to say that through the Ottawa Agreements the colonies have been brought well into the circle of the economic interests of all the self-governing Empire countries for reciprocal preferential treatment. For the first time, therefore, the whole of the British Empire is linked together by preferences, and the development of trade between Canada and the West Indies, India and East Africa, and other British countries, shows the results which can be achieved by deliberate stimulation of the trade, which is almost entirely complementary, between colonies and the self-governing countries of the Empire. The principle involved, therefore, in these two clauses is important, and the actual practical effects of them ought to be not less so. The interests of the colonies lie



almost wholly in the export of raw materials and food-stuffs, for which there is a demand in the United Kingdom and the Dominions. This trade, which has been steadily increasing in recent years, is to be deliberately fostered. Previously, preferences were only granted to the colonies by the United Kingdom, Canada, and New Zealand. Now they are extended also by Australia, South Africa, Southern Rhodesia, India, and Newfoundland. It is almost impossible to mention any colony which will not find some of its products benefited by the Ottawa Agreements.

As the colonial Empire consists of over fifty countries, it is clearly impossible to give details of the return preferences which they are granting the United Kingdom. Most of the British colonies have to exercise great care in the granting of preferences, as their revenue depends largely on customs receipts. Nevertheless, except for those territories which are precluded by international treaties, practically all the colonies are granting preferences to the United Kingdom. Great areas like Malaya and important places like Hong Kong and Sierra Leone have granted extensive preferences to this country which will now be granted to the rest of the Empire. These preferences cover a wide range of primary and manufactured products, and in normal times the colonies are valuable and growing markets. It should, however, be remembered that although all the colonies in the Empire may receive preferences, a number of the British African colonies may not give them, owing to international agreements. By the Convention of Saint-Germain-en-Laye of 10th September 1919, the nationals of the signatory powers (Great Britain, France, the United States, Belgium, Japan, and

Portugal) are entitled, in the area known as the Congo Basin, to equal treatment in all matters relating to residence, business, taxation, trade, and duties on merchandise. The British colonies and protectorates included in this area are Kenya, Uganda, Nyasaland, Zanzibar, and the northern part of North-eastern Rhodesia. A part of the Anglo-Egyptian Sudan falls within the Congo Basin. The mandated territory of Tanganyika is also included in this area. All the above-mentioned territories are prevented from giving tariff preferences to British goods, and Tanganyika is doubly prevented, of course, because of the mandate. Again, by a Convention concluded between Great Britain and France in 1898, Nigeria and the Gold Coast are precluded from giving preferences to British goods. British Togoland and the British Cameroons are administered as integral parts of the Gold Coast and Nigeria respectively, and, again, are precluded by the terms of the mandate from granting preferences. Lastly, Palestine as a mandated territory may also grant no preference. But, as we know, the position of the colonies which may not grant preferences is safeguarded by the Agreements, whose truly comprehensive character we may now begin to realise more clearly.

Now we may turn to what we have called the 'unknown' half of Ottawa, the proceedings which are set forth in Command Paper No. 4175. In addition to the main Committees for the Promotion of Trade within the Commonwealth, whose work resulted in the Agreements, there were five other Committees and four Subcommittees at work. The five Committees were on Customs Administration, Commercial Relations with Foreign Countries, Monetary and Financial Questions,

Methods of Economic Co-operation, and a special Committee on Existing Machinery for Economic Co-operation. The four Sub-committees were on Industrial Standardisation, the Grading and Standards of Agricultural Products, Industrial Co-operation, and Films and Radio. Of the work of the Committees on Customs Administration and Commercial Relations with Foreign Countries, nothing more need be said in addition to what has been said about the Agreements. It should, however, be noted that the Committee on Commercial Relations with Foreign Countries made a very important pronouncement on the subject of inter-imperial preferences and the most-favoured-nation clause in commercial treaties with foreign powers. 'Each government will determine its particular policy in dealing with this matter,' says the Report, 'but the representatives of the various governments on the Committee stated that it was their policy that no treaty obligations into which they might enter in the future should be allowed to interfere with any mutual preferences which governments of the Commonwealth might decide to accord to each other, and that they would free themselves from existing treaties, if any, which might so interfere. They would, in fact, take all the steps necessary to implement and safeguard whatever preferences might so be granted.' It was in pursuance of the policy expressed in the above words that South Africa, with the agreement of the German Government, brought the operation of Article 8 of the Commercial Treaty between these two countries to an end. Another paragraph in the Report of this Committee, referring to regional agreements between foreign countries, is of sufficient importance to be quoted in full. It runs as follows:

‘In the second place, attention was drawn to recent tendencies in foreign countries to conclude regional agreements between themselves for the mutual accord of preferences which were designed as being exclusive, and not to be extended to countries which were not parties to or did not adhere to the agreements. On this point, there was general agreement that foreign countries which had existing treaty obligations to grant most-favoured-nation treatment to the products of the particular parts of the Commonwealth could not be allowed to override such obligations by regional agreements of the character in question. Particular reference was made in this connection to the question of the Danubian States in regard to which preferential treatment was in contemplation for cereal exports of the States concerned—exports which constitute a substantial proportion of the world’s exports of the cereals in question.’

As is well known, the attitude of British countries since the denunciation of the old treaties between the United Kingdom and Germany and Belgium about the beginning of this century, which precluded British countries overseas from giving exclusive preferences to the mother-country, has been that imperial preferences are not a breach of the most-favoured-nation clause. In the passages quoted above we have now the most authoritative and general expressions of British opinion all over the world on this point. It is true that the new technique of commercial treaty-making, with its use of quotas, exchange agreements, and so on, has relegated the most-favoured-nation clause to the economic museum, but that does not detract from the significance of this joint declaration on a matter of imperial economic policy.

Another subject of the highest importance was dis-

cussed by the Committee on Economic Co-operation, which has as its central objective to find an answer to the very important question 'whether or not it is desirable that means should be devised for carrying on between the successive Imperial Conferences the economic work arising out of those Conferences . . . and what steps could be taken to secure the provision of adequate and stable financial support for inter-imperial economic organisations.' This question poses a problem of immense importance, which has occupied the minds of statesmen all over the Empire from time to time during the past few decades, and more particularly since the year 1917. It concerns the creation of the proposed 'Imperial Secretariat,' whose fortunes we followed in Chapter IV. The project is dropped for the present, but it is significant that this proposal for some permanent economic machinery for the whole Empire is always revived after each rebuff, and it is not unreasonable to suppose that the more intimate inter-imperial trade relations foreshadowed by the agreements and schedules will force into existence ultimately some form of permanent machinery for inter-imperial economic co-operation.

These anticipations are strengthened by the Reports of three of the Sub-committees already mentioned, namely, those on Industrial Standardisation, on Grading and Standards of Agricultural Products, and on Industrial Co-operation. All three Reports deal with the problem of economic co-operation on an Empire-wide scale from the different angles represented by their subjects, and it is worth while noticing that the Report on Industrial Standardisation is far and away the longest of all the Committee or Sub-committee Reports,

except only the Report of the special Committee on Existing Machinery for Economic Co-operation, and this is, for the most part, no more than a very long, descriptive list of certain bodies such as the Agricultural Bureaux, the Imperial Economic Committee, and others, whose work is of general interest to the whole Empire. The recommendations of these three Sub-committees are, in effect, far-reaching proposals for much closer and more definitely organised co-operation in various ways between those responsible for the industrial and agricultural processes and policies throughout the Empire. Thus the Sub-committee on Industrial Standardisation devotes its attention entirely to the problem of facilitating the general adoption of standard specifications throughout the Commonwealth, and pays particular attention to such industries as aircraft, steel, timber, industrial chemical products, and replaceable parts of agricultural implements and machinery. Further, the Sub-committee repeats an observation contained in the Report of the Conference on Standardisation which was accepted by the Imperial Conference of 1930. This observation stressed the desirability of 'readier means of consultation on questions of policy than are afforded by the past, or by occasional conferences such as the present.' It also recommends, for the purpose of maintaining closer liaison in the development of inter-imperial standards, the summoning, from time to time, by the central standardising bodies in the different parts of the Commonwealth, of 'representatives in their respective countries of the corresponding bodies, or persons otherwise designated for the purpose.' The further suggestion is made that the Trade Commissioners maintained in the different parts of the Empire by the different British

countries should act as liaison officers for this purpose. The Sub-committee make other recommendations, and even a casual reading of their Report will show that the subject with which they are dealing is of truly vital concern to the development of inter-imperial trade and economic relations generally. The Sub-committee on Grading and Standards of Agricultural Products also enter a field of great possibilities for the economic future of the Empire. They recommend that in agriculture all British countries should work towards the adoption of uniform standards for those products which experience has shown most readily lend themselves to standardisation. This Sub-committee suggest that it would be helpful if the United Kingdom Government were to require all wholesale trading in suitable commodities (eggs, for example) to be conducted on the basis of general Empire standards. Their proposal would extend to foreign produce as well as to Empire goods, and the Sub-committee recommend that the suggestion be further examined. In the work devoted to the adoption of common industrial and agricultural standards there lies latent a great scope for fruitful co-operation between the Empire countries, since grading and standardisation are more than half of the battle for the market, and are more effective than any tariff can be.

With the Sub-committee on Industrial Co-operation we come to one of the most important, and at the same time the most thorny, of all the problems of inter-imperial economic co-operation, namely that which concerns the co-ordinated development of secondary industries in the Empire. So important is the subject of this Sub-committee's deliberations that it may be advisable to quote here the most important part of their Report. It begins

by remarking that the Report of the Imperial Economic Committee on Industrial Co-operation forms a useful approach to the problem, and suggests that the Imperial Conference should accept the following resolution:

‘This Conference, having examined the Report of the Imperial Economic Committee on Imperial Industrial Co-operation, finds itself in general agreement with the tenor of the Report.’

(The essence of the I.E.C. Report referred to is the suggestion that inside the British Empire there is no reason why uneconomic industries should grow up haphazard. Instead, there should and could be a rational survey of possibilities and the conclusion of agreements between Empire industrialists for active co-operation in the future development of industries in British countries.)

Proceeding, the Sub-committee endorses the Imperial Economic Committee’s dictum that ‘the object of co-operation is not and must not be to arrest change, but wisely to direct and facilitate its course.’ Following this comes a very important pronouncement, which contains the essence of any rational policy of imperial co-operation in the development of manufacturing industries.

‘It should, in the opinion of the Conference, be the object of any policy of industrial co-operation within the Commonwealth to secure the best divisions of industrial activities among the several parts of the Commonwealth and the ordered economic development of each part, with a view to ensuring the maximum efficiency and economy of production and distribution.’



Continuing, the Report says:

‘It is further the view of the Conference that the precise nature and extent of the co-operation to be achieved in any particular industry must largely depend upon effective consultation between those engaged, or proposing to be engaged, in that industry in any two or more parts of the Commonwealth.

‘The Conference therefore recommends to the various industries in which conditions are suitable for the purpose, the desirability of making arrangements for such consultation at the earliest possible date; but it records its belief that such consultation, to be fully effective, should be conducted between responsible persons or bodies adequately representative of the industry in each part of the Commonwealth concerned.

‘The Conference further recommends that the Governments concerned facilitate and assist such consultation by all available means.

‘The Conference recommends that, without prejudice to their liberty to determine their own general economic policies, the Governments of the Commonwealth should give sympathetic consideration to any proposals which may be directed towards giving effect to the principle of industrial co-operation and which may be put before them by responsible parties representing similar industrial interests in the parts of the Commonwealth affected. In this connection the Conference would draw attention to the importance of taking into consideration the interests of other parts of the Commonwealth which might be affected by such proposals.’

Carefully considered, all the proceedings of the ‘unknown’ half of Ottawa point to the beginning of a period of economic co-operation between the Empire

countries based on principles of far-reaching import. Of course, their real importance and effectiveness will depend on what the governments and the people of the different Empire countries choose to make of them, and we shall see later that they are all subject to certain fundamental changes and developments in national economic policies inside the Empire. But the judgment on the Ottawa Conference must be that it revealed a general desire on the part of the peoples concerned to associate themselves more closely in the future in all forms of economic effort, and that it took the first steps in the direction of co-operation. Yet, it must be admitted, the results of the Conference are still mainly for future gathering. From the point of view of imperial economic relations, Ottawa is the foreshadowing of a policy, nothing more. The policy itself has still to be evolved.

When we turn from trade and the Ottawa Conference to finance, the life-blood of the economic organism, we find ourselves in the presence of some recent developments which mark a notable degree of inter-imperial unity to-day, and may prove to be strong integrating forces in the future, additional to those which we have been studying hitherto. In this book we are not concerned with the theory of money, or with the making of comprehensive schemes for inter-imperial financial unity such as those which Mr. Darling has made familiar to us. Our purpose is a more modest one. The schemes will come in good time when the general will to co-operate in economic matters, and the actual practice of co-operation are sufficiently advanced to warrant them. Until that time it is idle to draw up detailed logical plans, because the basic conditions on which we build may be altered. All we are concerned with here is to see to what

extent there is already financial co-operation inside the Empire.

The Ottawa Conference failed to achieve any practical results in this field. The Report of the Committee on Monetary and Financial Questions is very little more than a guarded statement of opinions on the desirability of a rise in sterling prices, the value of an ample supply of short-term money at low rates, and the restoration of a satisfactory international monetary standard. No practical positive proposals for inter-imperial financial co-operation emerged. The time, indeed, was not then ripe. None of the Commonwealth countries, including the United Kingdom, was in a position to stabilise at any given parity, and, therefore, none of their representatives were going to commit themselves to agreement to any fixed relation between their currencies and sterling. In every country, the process of adjusting the domestic price level was still going on, and so the one positive feature of the Report was the joint statement that return to the Gold Standard was not possible until the imperfections which had made its working impossible had been remedied. Another year of internal adjustment and domestic and international economic crises had to elapse before the Empire countries were able to adopt a common positive monetary policy. On the breakdown of the World Economic Conference, the delegations of the British Commonwealth countries, including India, but not including the Irish Free State, issued an important joint statement on the future monetary policy of their countries. The declaration stresses the importance of stability of exchange rates between the different Empire countries, a process to be achieved by 'the pursuit of a common policy of raising price levels.' The statement

goes on to say that this process will be facilitated 'by the fact that the United Kingdom Government has no commitments to other countries as regards the future management of sterling,' and ends with a virtual invitation to other countries to join the sterling group. The difference between this statement and the Ottawa Report is very significant, not only because of the positive results achieved, but because of the abandonment of the idea of restoring a world monetary standard. The preoccupation for the immediate future is to be with sterling and the sterling group, of which the solid nucleus is formed by the Empire countries. An Empire monetary policy had come into existence at last.

Since 1933 there has been stability between the principal Empire exchanges. Australia, India, and New Zealand are linked with sterling; South Africa is on parity with sterling, and the South African Reserve Bank has statutory authority to undertake open-market operations when necessary to prevent undue fluctuations between the two currencies. Canada's position is peculiar, since she cannot entirely escape the influence of New York. In spite of this, the Canadian dollar is powerfully influenced by sterling movements, and as the volume of Canada's trade with the rest of the Empire increases, her monetary policy will *pari passu* come more and more within the orbit of the sterling group. The stabilising of inter-imperial exchanges has had important effects on inter-imperial trade, and as the latter grows in value to each Empire country, the monetary policy of each will keep more and more closely in step with that of the others. In the monetary declaration of July 1933, and its *sequelae*, we have a very strong integrating influence in Empire economic relations.

But this is not the whole story. In order to realise the aims of the monetary declaration it was proposed that central banks should be established in those Empire countries where they had hitherto been lacking. Accordingly, since 1933, central banks have been established in New Zealand (1934), Canada (1935), and India (1935), whilst the functions of the Commonwealth Bank of Australia have been extended so as to give it more of the character of a true central bank than it had before. There is no need for any disquisition on the functions of central banks, whether generally, or particularly in relation to currency, to enable the reader to see how the completion of the chain of Empire central banks makes the policy of the declaration of July 1933 much more collective and secure.

Lastly, the Bank of England is the monetary centre for all the Empire central banks, and to it they must necessarily remain closely attached. Here again is another unifying influence in Empire economic policy, and one that can be exercised without the slightest derogation from the financial and economic autonomy of any Empire country. The potential value of the Empire central banks from the point of view which we have now reached is well summarised by the Report of the Royal Commission on Banking and Currency in Canada. On page 64, after an account of the establishment of central banks in other British countries, the Report goes on to say:

‘Thus over the greater part of the self-governing portions of the Commonwealth of British Nations there are or may shortly be in existence central financial institutions designed not only to perform important

services in the national economy, but also eminently suited to be the instruments of imperial monetary co-operation.'

Thus, on the financial side of our inquiry we see a position of considerable promise for the future of inter-imperial economic relations.

To mention in detail the activities of such bodies as the Colonial Development Advisory Council, or the working of legislative Acts like the Palestine and East Africa Loans Act, or to describe such all-Empire business concerns as Cables and Wireless and Imperial Airways would spin out an already long chapter to a quite intolerable length. The case of Cables and Wireless is of peculiar importance, because it is an example of a truly all-Empire body administering one of the vital links in inter-imperial communications. These and other things can only be indicated as examples of a large number of organisations and activities, all making for the co-ordinated development and more complete economic integration of the Empire. Enough has been said to show that the British Empire has, at any rate, begun to be an economic system composed of co-operating parts. It is still only in the first stages of its development as an organised economic unit, but, as we have seen, events both inside and outside the Empire are making for closer economic union, and in existing inter-imperial commercial and financial relations we have a strong corpus of interests working in the direction of still greater unity. Actual machinery for economic co-operation within the Empire is also not lacking, but at present it is machinery of a somewhat restricted scope. In the appendices to the summary of proceedings at the Ottawa Conference will

be found the report of a special committee on existing machinery for economic co-operation. This report gives a list of eleven organisations, which report to two or more governments of the British Commonwealth, and work in various ways for more than one of them. The Empire Marketing Board has now disappeared from this list, which is made up of the Imperial Economic Committee, the Imperial Shipping Committee, and a number of institutes for the scientific study of agricultural and allied problems, communications, and mechanical transport. There is also a list of other bodies working on subjects of interest to the whole Empire, such as the Wool Industries Research Association, and the Empire Cotton Growing Corporation. When one considers these scientific and technical bodies, and adds to them the various research institutions in different parts of the Empire, it is obvious that on the scientific side imperial economic co-operation is quite well equipped. But it is also obvious that all these organisations and bodies are dependent on policy, and can be at any time altered or even abolished—as the Empire Marketing Board has been since the report was published. The same may be said of the work of the large number of different committees, government departments, and periodical conferences, some of which have been already mentioned.

The Imperial Shipping and the Imperial Economic Committees differ widely from all the above-mentioned, both in their status and in their functions. The members of the Imperial Economic Committee and the representatives on the Shipping Committee of the various governments concerned are appointed directly by the governments themselves.

The Imperial Shipping Committee is one of the best

examples we can find of inter-imperial economic co-operation. It owes its creation very largely to the energy of Mr. Massey, of New Zealand, who foresaw the possibility of a dangerous clash of interests between the great British shipping combines and certain of the Empire countries who were interested chiefly in the export of primary produce. The economics of the 'round voyage' make it impossible for the shipping companies to study Empire trade only. It was to avoid the clash of interests which Mr. Massey foresaw that the Imperial Shipping Committee came into being. Its broad functions are to reconcile, as far as possible, the activities of British shipping in world commerce with their position as the supreme link in inter-imperial communications, and the Committee has done much really invaluable work in this connection. A very good example of its work is provided by the events attending the construction of the new port of Churchill, on Hudson Bay. The Imperial Shipping Committee took a leading part in arranging for reasonable rates of insurance on this difficult and little-known route, and in the surveying and piloting which were necessary. Again, some years ago, when the Ceylon Government became anxious about the effect on Colombo Harbour of deepening the Suez Canal, the matter was referred to the Imperial Shipping Committee for advice. Many other similar examples can be quoted, but these are sufficient to show the imperial character of the Shipping Committee's work.

The very earliest beginnings of the Imperial Economic Committee go back to the Imperial Conference of 1923, when it was proposed to establish it 'to consider and advise upon any matters of an economic or commercial



character not being appropriate to the Shipping Committee, which are referred to it by any constituent government, provided that no question which has reference to another part of the Empire may be referred without the consent of that other part.' Although this proposal was accepted by a majority of the Conference, it was never made operative; but, in 1925, it was agreed to appoint an economic committee with the greatly restricted duty of considering how to improve the marketing of food products of the Overseas Empire countries in the United Kingdom. Later still, the Imperial Economic Committee's terms were extended so as to allow it to deal with the marketing of raw materials and with suggestions for trade surveys. Finally, after the abolition of the Empire Marketing Board, some of its economic services were carried on by the Imperial Economic Committee, which, together with the Imperial Shipping Committee, has, since October 1933, been financed by the governments of the Commonwealth jointly, instead of, as previously, by the United Kingdom Government alone.

In the domain of legislation also there have been one or two noteworthy achievements in the better economic organisation of the Empire. The Colonial Stock Act of 1900, which gave the members of the Overseas Empire imperial preference, so to speak, in the London money market, is known to everybody. The Merchandise Marks Act of 1926 has made it compulsory for vendors to indicate the origin of their commodities, whilst the Cinematograph Films Act of 1927 arranges for a progressively increasing quota of Empire-produced films in the theatres of this country. And similar Acts in other British countries perform the same service there.

All these things that we have passed in review are, at any rate, signs of the awakening during the past few decades of both the desire and the will on the part of British peoples all over the world to co-operate in economic matters as they do in others. Some of the developments we have noticed may be of no more than temporary importance, but some of them might quite conceivably develop into effective instruments for the working out of the more comprehensive imperial economic policy, towards which it is to be hoped we are now moving.

## CHAPTER VII

# THE EXPANDING COMMONWEALTH

(vi)

### *Empire Economic Policy (iii)*

THE discussion, in the preceding chapter, of the extent to which the British Empire may already be considered to be an organised unit for economic relations might convey a false impression to the unwary reader. The greater part of that chapter is occupied with the results of the Ottawa Conference, and, in spite of what has been written about the 'unknown' half of the Conference, it is quite possible that the trade agreements, with their grand objective of a direct and immediate increase of inter-imperial trade, may continue to occupy not only the foreground but the whole of the picture which is being sketched out in these chapters on economic relations. At the risk of tediousness, it must be repeated that inter-imperial trade, in the sense of the exchange of goods and services between the different Empire countries, is only one part of imperial economic relations, and if we try to isolate it from all the other parts we shall inevitably fall into error. It is this identification of the part with the whole which has led in so many quarters to the completely mistaken insistence on the supreme merits of an Empire customs union with a common tariff wall between all the Empire countries and foreign

countries as a grand solvent of all our national and imperial economic troubles.

The truth is that there is no easy and simple economic policy to be devised for the Empire. It would not be possible for all the Empire statesmen in conclave, be their goodwill never so strong, to draw up an economic plan forthwith, which, if put into practice, would turn the Empire into a smoothly functioning, self-sufficient economic unit. Every country in the British Empire is, at any given moment, a going concern. It has its own commercial connections all over the world, its own economic troubles and its private plans for meeting them, and it has its own domestic economic system, which, like all others, is the result of the interaction of a number of forces, namely, those of politics, of vested interests, of organised Labour and Capital, of State intervention for social and other reasons, of foreign economic policies, and of the sheer physical conditions of the country itself. It is not possible to touch these highly complicated systems at any point without affecting them in all their parts. Thus, any policy of closer union in economic relations between the countries of the British Empire must, if it is to achieve its object, cover the whole field of economic activity, and, also, take into account the political and human factors involved. Let us take an actual example to illustrate the difficulties which lie in the way of any attempted partial solution of the problem which we are now discussing. In recent months a somewhat acrimonious dispute has been carried on between the cotton manufacturing interests in Canada and in the United Kingdom over the Canadian tariff on cotton goods. The Lancashire men claim that the spirit of the 'fair competition' clause in the Ottawa Agreement

between this country and Canada is not being observed. The Canadians, on the other hand, say that they have gone carefully into the matters of comparative costs, working conditions, currency policy, and so on, and that their present decision is a fair one. To discussions such as these there will never be any satisfactory end. Even if the contentions of the Lancashire manufacturers were all completely sound, it is not easy to see what the Canadian Government could do, other than take their present line. For one must look at the actual mechanics, the stresses and strains, of the situation at the Canadian end. There we have an industry employing so many people directly and indirectly; we have a number of more or less powerful interests with capital (some of it belonging to strong foreign interests) invested in the industry, and we have the protection and expansion of the country's manufacturing industries as one of the most cherished features in the policy of every government which holds power in Canada. Lastly, Canada has been very hard hit by the world economic depression, and no government in these days dare do anything which active and strong economic interests will be able to represent as reducing employment.

This illustration is taken from contemporary events because it does enable us to see something of the permanent conditions under which we must attempt to work out this great undertaking of the organisation of the British Empire for purposes of economic co-operation. The simple frontal attack on the problem by means of tariff preferences and trade agreements will take us a certain distance, but, as we see from the example given above, which is only one of many possible illustrations of the same theme, it lands us in the end in difficulties which

call for a new approach and a different kind of solution. All over the Empire statesmen, students, business men and others are beginning to see that in economics as in other things, the common imperial policy of the future can be summed up in the one word, 'co-operation,' that is simply working together as far as our wit and circumstances permit. The British Empire can be made into one unit for economic purposes, but it will be a different kind of unit from that visualised by the advocates of an Empire Customs Union and tariff wall with 'self-sufficiency' as our motto. The Empire can become an economic unit in the sense that all its countries can, if they will, co-operate fully with each other, undeterred by fears of ceding advantages to possible rivals or military opponents, able to conceive and execute long-period developments on rational principles, and with the machinery for the full, free, and authoritative discussion of problems as they arise all ready to hand. It is on the long-period aspect of our problem that we shall dwell because we are thinking, not of temporary adjustments and palliatives, but of a permanent ordering of our economic relations.

The long-period aspect of the affair must be stressed for another reason, a very important reason. In the first chapter of this book it was argued that the world's present economic discontents do not represent a mere secular movement in the trade cycle but are the expression of a fundamental disharmony between man's powers of achievement in the material and spiritual fields respectively, and of a consequent dislocation in the organisation of both domestic and international political, economic, and other relations. Throughout the book various illustrations of this theme are given, and the

necessity for deliberate, rational organisation is emphasised repeatedly. The word 'organisation' is used instead of 'planning,' because this latter can never now escape from its association with the Russian Communist five-year plans, and thus, for our purpose here, it would be apt to convey a completely wrong impression. Whether we are prepared to acknowledge it or not, the truth remains that the future will see the economic life of each progressive nation, and international economic relations also, fully organised and controlled by national and international authorities. In some countries the organisation and control will no doubt take the form of planning more or less on the lines of the all-inclusive, thorough-going Russian model, but for us of the British Empire, the words 'organisation' and 'planning' mean something far less rigid, far less grandiose than this. They mean daring to understand the lessons of our past experience in the national, imperial, and international fields, and daring to apply those lessons, in co-operation with our fellows of the Commonwealth and Empire, to our present and future economic activities.

It can be seen at once what this means. It means first and foremost that we must accept the lesson of the steady growth of State intervention in economic affairs during the past century—a growth whose main features were traced in the opening chapter of this book—and realise that the final outcome of the process is complete ultimate control by the State of the processes of production and distribution, using these words in their widest and most inclusive sense. But, again, it may be necessary to point out that the planning of our economic life will be done according to our own ideas and by our own methods, and that any revolution which may occur will

be a revolution by process of law. We see the revolution going on now in front of our eyes. The great public utility corporations are supreme examples of the sort of control towards which we are moving, and they will come in for extended examination later on. But, quite apart from these examples which are of a unique *genre*, State control has penetrated deeply into all sides of our economic life, and we may take one more important illustration of this penetration which was mentioned in the discussion on the origin of our present discontents, and examine it in some detail. This illustration is found in the policy of agricultural reconstruction in this country, and we will concentrate for our purpose on the marketing schemes, omitting the tariff, quota, and subsidy arrangements.

The six marketing schemes which are now either in operation or have been proposed, represent a strange, new departure in our economic life because of the degree of organisation and the amount of administrative control which they bring into the most individual of all our industries, namely agriculture. Mr. Elliot did not try to conceal the far-reaching scope of the policy contained in the Agricultural Marketing Act of 1933. In his speech on the second reading of the Bill on 13th March 1933, he said: 'We also have to make our contribution in the case of the building up of the new order which is coming into being here and there throughout the world and to which all the world states are, in their way, making their contributions.' Thereafter he went on to tell the House of Commons that 'the keynote of the development scheme is organisation of production.' In another part of his speech he told the House that 'we have to deal with the twentieth century, which sees countries



organising nationally the exchange of their products.' It must, further, be remembered that the Agricultural Marketing Act of 1933 followed a similar Act of 1931, and a comparison of the two gives results of much importance for our purpose. The earlier Act was also an attempt to regulate the marketing of certain British agricultural produce, but there was a fatal flaw in it. Competing foreign produce could pour into this country without check or restriction, and this rendered the Act largely ineffective. Therefore a more comprehensive national policy was put into operation by the Import Duties Act of 1932. The more thorough-going policy in respect of external trade called for a more thorough-going policy in respect of internal control. It is impossible to have the one without the other, and we must, therefore, look for our foreign and imperial economic policies to be reflected in the organisation of our domestic economic system. It is very difficult to avoid the conclusion that this rule must hold ultimately over the whole field of our industrial activities, secondary and primary alike.

Let us, therefore, examine a typical marketing scheme, the milk scheme, which was the first to come fully into operation after the passing of the 1933 Act. The central feature of the scheme is the Milk Marketing Board, which represents all producers, and lays down the conditions on which producers and distributors must make their contracts. The Board fixes the prices in the different districts into which England and Wales are divided, and retail sales below the standard prices are forbidden. Further, the moneys received from the sale of milk are made over to the Board, which then distributes them to the producers of the milk, after deducting the costs of

administration. Even the farmer who sells direct to his 'milk-round' does so under licence from the Board, and must charge the standard price for his district.

Into the multifarious details of price-fixing and administration and into the actual working of the scheme we need not enter. All we are concerned with here is the character of the scheme as an example of State organisation of an industry, and, let it be remembered that dairying employs 50,000 more people than the whole of the motor engineering industry of this country. The other agricultural marketing schemes differ in details from the milk scheme—some of them in important details, as, for example, the hops scheme, where the results of sales are not paid direct to the Board—but they stand in just the same way as examples of the revolution which is taking place in our economic system. Admittedly there are difficulties in the actual administration of all these schemes, but there can be little doubt that they will be permanently accepted by the producers concerned, and that they will be elaborated and improved as experience directs. The second part of the Agricultural Marketing Act of 1933, which deals with development schemes, deserves more than passing notice, for it represents a long step along the road of the democratic organisation and control of agriculture by the State.

It provides for the joint exercise of power by primary and secondary producers, for example, producers of pigs and bacon. It is clear that the schemes contemplated ought to do much to rationalise the production of agricultural products, both primary and secondary, since each of the two sets of producers concerned is vitally interested in the efficiency of the other. The method by

which a development scheme can be put into operation under Clause 6 of the Act is thoroughly democratic, since both primary and secondary producers may submit a scheme for a development board wielding the powers provided by the Act.

This discussion of the agricultural marketing schemes is an excellent example of the way in which the spread of State control over economic life in this country is likely to take place. The degree of control at first is the minimum which is necessary to effect a practical result, and the voluntary side is very much in evidence. Then, as all concerned, both officials and others, gain experience and confidence, the organisation is tightened and improved. In the application of State control to economic processes, as in everything else, the sound British custom is followed of learning by experience and of giving all concerned a voice and a part in the actual working of the system.

A study of the agricultural marketing experiments inevitably brings up the question, 'Can these methods be applied to industrial organisation?' The answer to this question is not a simple one, and, certainly at present, different answers will be given in regard to different manufacturing industries. The case of agriculture is relatively simple, because when once the government has decided to protect it fully, the decision can be made immediately effective by means of quotas and even embargoes. In a word, agricultural marketing schemes can, if it is so desired, function in a completely sheltered market. Our manufacturing industries are in a very different case, for practically all of them depend for their prosperity—some of them even for their very existence—on their ability to compete in the international market.

To such industries as these must not complete individual initiative be allowed? The answer to this question also cannot be a straight yes or no. It requires some qualification. It is obvious that we cannot sell cotton goods, for example, under the fiercely competitive conditions of the modern market unless those engaged in both their production and distribution have the fullest freedom and initiative, are in a position to make immediate decisions, and can take any risks on their own responsibility. On the other hand, the question whether or not certain branches of the iron and steel industries are ripe for public control is more open to argument. *Prima facie*, it is reasonable to hold that when an industry has reached such a state of organisation and standardisation that it can enter into a cartel, that is, an international marketing organisation, then it is in a position in which it can be efficiently conducted as a public utility concern. In the United Kingdom the present tariff protection to the iron and steel industries is conditional on the industry's reorganising itself to the satisfaction of the public authorities concerned, a position which marks an important degree of State intervention in these industries. The shipping industry also appears to be in a position approximating to that of the iron and steel industry. We have the same powerful units with analogous domestic and international agreements regarding the selling prices and, to a large extent, the allocation of the market for their services, and we find the State intervening to aid the industry, but exacting specific conditions in return for the help given. The debates in the House of Commons in July 1934 on the subject of government help to shipping are instructive. It was made clear to the industry that government help would be given only

on the condition that it did not lead to wasteful competition between British ships. The subsequent controversy over the proposed purchase of the Red Star Line by certain British interests, and the refusal of the Chancellor of the Exchequer to agree to a public issue for that purpose, was a very apt illustration both of the government's policy and of the kind of control which it is now prepared to exercise.

There is not the slightest reason to doubt that in time most, if not all, of the major industries of this country will come under some sort of control, just as the industries which we have been discussing have already done. The control will differ in details according to the industry concerned, but the main lines and the character of the control can be deduced from our experience hitherto. It will not be nationalisation. The time for that has gone, because we now have in the public utility corporation an instrument which has all the real merits of nationalisation without the fatal and unavoidable defect of rigid, slow-moving, bureaucratic administration. To return to our earlier illustration of the traffic in Carfax, what is now happening is the assumption by the State of the function of economic pointsman.

Another very good example, in addition to those given above, of the way in which control is being substituted for anarchic competition on the one side and nationalisation on the other, is provided by the Coal Mines Act of 1930. The coal-mining industry has for long provided the strongest argument of the supporters of nationalisation of industry. Their argument had its roots in moral, social, and economic grounds, and is sufficiently well known not to call for elaboration here. The question of the nationalisation of coal-mining was seriously dis-

cussed by both the Sankey and Samuel Commissions after the War. In June 1920, Sir John (now Lord) Sankey, in one of four conflicting reports submitted by his Commission, recommended the acquisition of the coal mines and royalties by the State, whilst in 1925 the Samuel Commission recommended the State to buy up all coal royalties. Instead of acting on either of these recommendations, a solution was found in the scheme contained in the Coal Mines Act of 1930. Under this Act the Board of Trade sets up a Coal Mines Reorganisation Commission to assist in the more efficient and economical production and distribution of coal. Great Britain is divided into twenty-one districts for the purposes of the Act, and schemes for the production and sale of coal may be submitted by any voluntary association representing a majority of coal owners. Provision is made also for a central scheme administered by a central council. The Reorganisation Commission has power to compel owners to prepare schemes of amalgamation if this appears to be necessary. Finally, the Board of Trade can sanction or alter any district schemes submitted, or itself impose schemes if none are submitted by the owners.

Enough has been said to show both the kind and the extent of State control of economic life towards which we are moving. The traditional British spirit of compromise and insistence on the essentials of individual initiative, social justice, and democratic control are all in evidence. And now we can proceed to apply the results of the survey contained in the preceding paragraphs to our main theme of the future scope and character of an Empire economic policy, or, to put it in a better form, the economic organisation of the Empire.

In a pregnant sentence in his speech on the second reading of the Agricultural Marketing Bill, Mr. Elliot said that he did not think it 'possible for us to continue in a series of anarchic crises.' The words are a true reflection of the uncontrolled economic activities of the recent past. It has been argued that the conditions on which the laws of classical economics were based have disappeared. The freely competitive system with its equilibrium maintained by automatic adjustments between innumerable small competing units has no existence now except in some academic minds. Labour and capital, production and distribution, finance and transport, are organised on an ever greater scale and with increasing discipline. Clashes between the giant units of to-day are catastrophic and the giants themselves reach out with waxing strength and authority to the control of political power and the complete mastery of the whole economic system. Along this line of development, disaster lies in waiting: disaster from internecine warfare between the giants of Capital and from warfare between them and the giants of Labour; disaster from the inevitable ultimate failure of one section of the community to control the material and political destinies of the whole.

Coming back to the special case of the British Empire, we see there also no hope of its economic organisation for the great purposes we have in mind, unless we can have throughout its limits an analogous process to that which appears to be going on in this country, namely, a movement towards the harmonising of public and private interests based on the same flexible, democratic control of the economic life of the State as is developing here. Happily this condition seems to be in process of

realisation. We have had more than one occasion in this book to notice the use of the Public Utility Corporation with its compromise, so suitable to the British temperament, between State socialism and unregulated individualism. We have seen, too, something of the basic conditions of the application of its principles to industry. It is of much importance to notice that these principles appear to suit the peoples of the other countries of the British Commonwealth, for the Public Utility Corporation is making its way among them also. Perhaps this is not surprising, because it marches well enough with their conditions. Thus, it is suited to new large-scale industries where vested interests have not had time to grow up, and to all public services suitable for monopoly. Its main objects are twofold: the highest possible degree of independence in the details of management, and the maximum efficiency, for the interests of the public, in the operation of the service. Let us, therefore, recall its main features. In the first place, its conduct is entrusted to State nominees who are chosen for capacity, and not to nominees of shareholders. In the early days of the Public Utility Corporation there was a tendency to choose men to represent particular interests, but now the qualifications are public reputation and general business ability. If any capital is held by the public, the maximum rate of interest payable is usually fixed. Thus, a small body controls the industry concerned without having to trouble about either shareholders or profits, and yet even Parliament cannot intervene in management and the day-to-day working. Parliament's scope is limited to authority on broad matters of principle and policy. Secondly, there is no governing body on the side of capital; and, thirdly, competition is eliminated by a



rationalised system planned with the one aim of maximising the public interest and welfare.

Now the importance of all this to our general theme in this chapter is clear enough. The more widely the economic activities of the different British countries are based on the principles of public utility, the easier and the sooner shall we attain the co-operation which we are seeking. When the policy of each country is to organise its economic life so as to harmonise private and public interests and maximise the general welfare, and when the State is in a position to exercise the right kind and amount of control to achieve this policy, it is obvious that the problems of inter-imperial economic co-operation will take on an entirely new aspect. To-day the rival claims of numberless vested private interests have to be reconciled by the seekers after imperial co-operation, with 'Bolton boycotts' and similar manifestations all too often rewarding their efforts. But with national economic systems based on the principles which we are now considering, the vested interests inside each country would be increasingly merged in the public interests, and the latter, in their turn, could be made in each case a complementary part of the interest of that much greater economic unit, the British Empire, which is not only greater than any national unit, but is far more appropriate to the scope and power of present-day economic processes. Let us, therefore, see to what extent the principles we are discussing have made headway in the other countries of the Commonwealth.

The inquiry is a difficult one, owing to the paucity of secondary material and the fact that in the British countries overseas the public utility corporation has not yet become a distinct subject of critical analysis by

economists and political writers, but is still scarcely separated by them from the older forms of State socialism. Nevertheless, the following pages will give a reasonably adequate account of the operation of public utility principles in the other Commonwealth countries.

In Australia, as in Canada, a public corporation can be set up under any one of three authorities: the Federal or State Government, or a municipality. At present, it seems, the only Federal Government public corporations are the Australian Broadcasting Commission, a body consisting of five members, constituted under the Australian Broadcasting Commission Act, and the Commonwealth Railways Commission, in which are vested all Federal railways by the Act of 1917.

With regard to socialistic enterprises conducted by State governments, those of New South Wales and Victoria appear to be the ones in which development towards the public corporation form has taken place. It is, however, peculiarly difficult to discover which of the numerous trusts, commissions, management boards, etc., supposedly independent, can properly be classed as public corporations. In Victoria, they are both numerous and very varied in form, and yet Eggleston, a writer who has taken part in their administration as Cabinet Minister for several State government departments, says of them:

‘As an instrument for public operation of economic undertakings, the statutory corporation leaves little to be desired; but the austerity and restraint necessary to secure success are regarded with hostility by the socialistic or labour politician, and in practice the system has partially broken down.’

Nevertheless, in both States there is more recognition

now than formerly of the desirability of divorcing management from politics, and although Eggleston's severe judgment may well be justified, it is also true that, on the whole, such changes in the administration of State enterprises as have taken place have been towards greater independence and towards the English public corporation form, even if the actual organisations still fall far short of what is aimed at.

In Victoria many Trusts, Boards, and Commissions have been set up under the State government or the municipalities, and some of these have a fairly close resemblance to the English form of public corporation. In the Harbour Trust, for example, State control involves approval of borrowing, sanction of schedules and rates and consent to by-laws and regulations, and the Trust has to make contributions to general revenue. The State Savings Bank, the Fire Brigades, and the Melbourne and Metropolitan Board of Works are under State control similar to the Harbour Trust, but financially these bodies are wholly independent of the State government finances. The Electricity Commission is also subject to the same control, but, in addition, has to obtain ministerial sanction for contracts beyond a certain amount. This Commission has financial autonomy without loan authority. It is probable that in most of the above bodies there is a higher degree of ministerial control than there is in English public corporations, due partly to the parliamentary limitations on their powers and partly to the unwillingness of governments and municipalities to relinquish their control.

In Victoria there are a number of bodies—namely, the Closer Settlement Board, the Railways Commissioners, the State Rivers and Water Supply Commission, the

Country Road Board, and the Forestry Commissioners—which seem to come half-way between ordinary government departmental administration and the public corporation. These are all developmental utilities, not operating for profit, using great quantities of loan money and subject to more or less control by the State. The Minister, however, has rather larger powers of intervention in their operations than is permissible in an ordinary public corporation.

In New South Wales, in which government enterprise has long covered a wide field, there is the same difficulty in distinguishing the older forms of State socialism by departmental administration from the newer Commissions and other bodies which represent a definite movement towards limitation of political interference, but the following seem to approximate to the form of the public corporation.

The Sydney Harbour Trust (formed in 1901)—consists of three Commissioners appointed for a term of seven years, with control over the port and shipping, harbour-lights, buoys, and wharves, and authority to undertake works for the preservation and improvement of the port, and to levy rates and charges. Since 1928, the accounts of the Harbour Trust have been separated from the Consolidated Revenue Account, and receipts are now paid into the Sydney Harbour Trust Fund. The net profits are payable into a reserve fund to meet losses and for the reduction of rates and charges.

In the administration of the railways, practically all of which are the property of the State, there have been numerous changes since the War, representing fluctuating degrees of ministerial control. The final form, according to the latest information available, was settled

in December 1932, when the Ministry of Transport was divided into three departments, each under the control of a Commissioner, namely (1) railways; (2) road transport and tramways; (3) main roads. The railway property is vested in the Railway Commissioner as a body corporate, to conduct the services on existing lines and to construct the new lines authorised by the Legislature. By-laws for the regulation of the services, including those by which rates of freight and fares are prescribed, must be approved by the government before they become operative. In 1928 the same arrangements were made for separating the railway and tramway accounts from the Consolidated Fund as were indicated for the Sydney Harbour Trust. In December 1932, also, the administration of the tramways was transferred to the Commissioner of Road Transport and Tramways.

Other organisations in New South Wales which seem to approximate to the form of the public corporation are the Metropolitan Water, Sewerage and Drainage Board, the Hunter District Water Supply and Sewerage Board, and the Board of Fire Commissioners.

In the other States of Australia development of the public corporation has proceeded much more slowly, State enterprises being still mainly administered by Ministerial departments, and only a few examples can be found. The tramways in Adelaide and suburbs are controlled by a Municipal Tramways Trust. In Western Australia the Fremantle Harbour Trust is controlled by a Board of five Commissioners appointed by the Governor-in-Council. In Queensland the Bowen Harbour Trust consists of seven members, of whom two are appointed by the Governor-in-Council and the remainder elected by the electors of the town of Bowen and ad-

jacent shires. This method of appointment may not imply sufficient independence of management to class the Board as a public corporation, but it is, at any rate, a borderline case.

In Canada it is as difficult as in Australia to trace the development of the public corporation, not because of the difficulty of distinguishing between departmental and other forms of State socialism, but because in Canada State control of services has arisen in a form after the American rather than the English pattern. There is still very little socialistic enterprise (although municipal services cover a wide field) in Canada, and government control of services and certain industries has been directed towards regulation and co-ordination rather than operation. Thus the most characteristic form of government control in Canada seems to be the 'Public Utility Commission,' which is, perhaps, more typical of American than English administration, although in England we have a somewhat similar body in the Railway Rates Tribunal, and more recently, the Minister of Transport's powers over road transport. The Board of Railway Commissioners in Canada is a supervisory and not an operating body, and has powers over private telephone companies also. Two well-known Canadian economists, Messrs. Hankin and MacDermot, have given a good indication of the wide influence of the Public Utility Commissions in the following extract from their book, *Recovery by Control*:

'... private companies furnishing means of communication and electric light and power are in all cases under the control of public bodies which regulate the standards of service and the rates charged. These bodies,

generally known as Public Utility Commissions, exist in every Province except Prince Edward Island. In most cases they control street railways, water and gas, telegraph and telephone services, and municipal systems, as well as electricity. . . . These Public Utility Commissions are set up by legislation fairly similar throughout and modelled on the Act establishing the Board of Railway Commissioners. They, therefore, follow a pattern which has been well scrutinised and which practically every government in Canada has accepted. The constitutions of all the Boards or Commissions are alike. The members, usually three in number, are secured permanence of tenure.'

Although it appears to be the characteristic form of government control in Canada, there are one or two bodies which do seem to be modelled on the English public corporation form. Electric power supply is operated in most provinces under both private and public enterprise. Where operated by a public body, the form of organisation seems to approximate closely to the public corporation. There is the well-known Hydro-Electric Power Commission of Ontario, the Nova Scotia Power Commission, the New Brunswick Electric Power Commission, the Manitoba Power Commission, and the Saskatchewan Power Commission, all of which seem to be operating or management bodies, not operating for profit, intended to be independent, but which can only have as much independence of political interference as is possible in the political arena of Canada. The administration of wireless broadcasting in Canada follows our own public corporation lines somewhat closely. The Canadian Radio Broadcasting Commission, a body of three, was established by Act of the Canadian Parlia-

ment in 1932. The Commissioners are appointed by the Governor-in-Council for a definite period of years at a fixed remuneration, and have powers to regulate and control all broadcasting, to build, own, and operate stations, and to prohibit the establishment of privately owned stations.

Most of the important harbours in Canada are administered by corporate bodies, known as Harbour Commissioners, under whose jurisdiction the property of the Crown in the harbour is placed, which have power to make by-laws for all proper purposes, including the levying of rates and charges, and which also control the expenditure of the revenue received. It is stated, however, in an official publication (the *Dominion Year Book*) that 'All the Commissions are under the direct supervision of an official of the Marine Department and are subject to the jurisdiction of the Minister of Marine in all matters.'

The administration of the former government railways in Canada has some interest for us, because in 1922 they were turned over for management and operation to the Canadian National Board, which seems to operate as a public corporation. But it should be remembered that railway policy in Canada, owing to its peculiar significance to the different sectional economic interests in the country, has always been an important issue in party politics. However, recent changes in administration have been directed towards freeing railways from political interference and have been favourably commented upon by public men as well as by students of economics. Lastly, a number of municipal enterprises are also operated by Commissions of the public corporation type, notably the Toronto Transportation Commission.



In New Zealand, there are only a few examples of management of State enterprises by a public corporation. The most important public corporation set up recently under an Act of 1931 is concerned with the administration of railways. From April 1932 the management and control of the railways was transferred to the Government Railways Board, whose functions and policy are to administer the Government Railways as a public service in the most economical and efficient manner possible.

The New Zealand Broadcasting Board, which was set up in 1932 under the provisions of the Broadcasting Act of 1931, on a basis very similar to that of the B.B.C., is a good example of a public corporation.

There seems to be no central authority in New Zealand for the supply of electricity, but there are a number of Power Boards under the Electric Power Boards Act of 1918. This Act provides for several local districts to combine for the purpose of electro-power distribution, and to set up a special Electric Power Board to carry out the work, with rating-powers over the districts concerned. There is a Tramways Board in Christchurch, and in Auckland the City Council has handed over the Tramways to the Auckland Transport Board.

Only a few examples of the public corporation are at present to be found in South Africa. Perhaps the most important and most interesting is the South Africa Iron and Steel Industrial Corporation Ltd., which was constituted by Act of Parliament in 1928 to promote the development of the iron and steel and allied industries within the Union. As summarised from the *South African Year Book*, the chief features of this corporation are the limitations on its total capital, and on the rate of interest payable thereon, the purchase of a prescribed

number of shares by the Governor-General from public funds, and the guaranteeing of the principal and interest of a fixed maximum amount of debentures by the Governor-General.

The Rand Water Board, too, seems to be closely analogous to the public corporation. Under the Ordinance of 1904 the whole of the undertakings of the Johannesburg Waterworks Co., the Viervontein Syndicate, and the Broamfontein Co., were transferred to and vested in the Board, and the Board undertakes the supply of water to the mines and municipalities situated within the 'limits of supply.' The Board consists of twenty-eight members, including the Chairman, who is appointed by the Union Government, while the other members represent the Transvaal Chamber of Mines, the Johannesburg Municipality, various other municipalities, and the Railway Administration.

The Electricity Commission, established in South Africa by Act of Parliament in 1922, is another public corporation, as the following description quoted from the *Official Year Book* shows:

'The Commission is a corporate body, the essential features of its operations being that its undertakings shall, as far as practicable, be carried on neither at a profit nor at a loss, and that its charges for electricity shall be adjusted accordingly from time to time. . . . Since its inception the Electricity Supply Commission has, in collaboration with other interests, established five main undertakings.'

The administration of railways and harbours in South Africa is subject to some public control, but the

degree of departmental intervention which is permissible takes the management of these utilities out of the ranks of public corporations proper.

Finally, the Land and Agricultural Bank of South Africa appears to be a public corporation, since it is:

‘a body corporate, and its operations and policy are controlled by a central board consisting of a Managing Director (who is Chairman) and six ordinary members, each of whom is nominated by the Governor-General. . . . The Bank is not a department of State, and its officers are not members of the Public Service.’

From March 1937 a fully fledged public corporation will be in existence in South Africa in the shape of the African Broadcasting Company, which is to be taken out of private hands when the present contracts expire.

To sum up, it appears that, in spite of the difficulties of classification of public enterprises in the Dominions, and the great variations in forms of ‘statutory’ or ‘public’ corporations, there has been a definite and substantial development of the public corporation as a means of managing public enterprises with business efficiency and freedom from political interference in both Australia and Canada, and that the beginnings of a movement in this direction can be seen in New Zealand and South Africa.

This detailed and, it is to be feared, dull examination of the growth of the Public Utilities Corporation in the overseas British countries has been deliberately thrust on the reader because in the development of the public corporation, and, what is the really important point, in

the existence of the temperament and frame of mind, and also of the political conditions which make possible such a development, we see the true solution of the grand problem of economic co-operation in the Empire. For, apart from the complete fusion of public and private interests which it represents, the public corporation system, if consistently developed, would obviously do away in the end with the anarchic and ruinous reduplication of the means of production of all sorts, which is one of the main contributories to our present economic discontents. The true importance of the development of the public corporation system, here and in the overseas countries of the Empire, must, therefore, on no account be overlooked.

In the preceding chapter the work of the Ottawa Committee on 'Methods of Economic Co-operation' was described, and we saw from the extracts which were quoted from the Committee's Report that its spirit was entirely in accord with the theme of this chapter. Co-operation, which in the last resort is a state of mind, is the policy for which we must work, and co-operation is not only the keynote of the Committee's Report, but is the subject of their whole inquiry. Nevertheless, the policy visualised by the Ottawa Committee could, at the best, have only partial and temporary success. It is true that what it proposes is far better than the partially regulated and still largely indiscriminate competition between private interests which characterises the greater part of the field of international trade to-day. But it is not enough. In the first place, it does not deal with the economic problem in its entirety—that, of course, was not its task—and, secondly, it leaves the mainspring of co-operation with the representatives of the industries

between which co-operation is being sought. On both of these counts the policy recommended must, ultimately, break down. The whole complex of economic relations forms the basis of our problem—agriculture, manufacturing industries, finance, transport, migration—all these have their own separate problems, and all together make up the grand problem of the economic organisation of the Empire. Co-operation between the manufacturing industries of, let us say, the United Kingdom and any one of the Dominions, involves more than agreements between industrialists, even though the governments concerned may ratify them and undertake such consequent action as may be necessary. It involves an appropriate policy of capital transfers, of purchase by the United Kingdom of the primary produce of the Dominion in question, and last, but not least, such transfers of population as may be necessary. We must take the broad view. Industrial co-operation between this country and Canada, might, for example, involve important changes in our policy of development of the Northern Rhodesian copper resources. Innumerable other instances could be given if necessary, but this one will serve to illustrate the extraordinary complexity of the problem and the folly of trying to deal with it piecemeal or by means of mere tariff legislation. The second reason for the inevitable ultimate breakdown of the policy advocated by the Committee on Industrial Development is that it does not take present, and still more, future, developments in economic organisation sufficiently into account. We have seen that it puts the mainspring of co-operation in the industries which seek co-operation. But already, slowly but irrevocably, State control is spreading over the whole field of national

economic life, and ultimately the co-operation will be between governments acting for industries which will be organised to a greater or lesser degree, as their circumstances permit, on public corporation lines. It would be retarding a natural and necessary development if the industries were to be erected into quasi-autonomous interests, vested with a sort of diplomatic authority and given separate individualities. And, also, it may quite easily happen that it would be more profitable for the shareholders of the industries concerned to enter into cartel or other agreements with foreign industrialists, even if this meant definite injury to industry in British countries overseas and to the whole corpus of imperial economic relations. The present organisation of economic life is still sufficiently anarchic to make it possible for action by individuals to upset any co-operative agreement arrived at between private interests. One of the most successful achievements of the kind recommended by the Committee on Industrial Co-operation is the agreement between the British Steel Export Association and the Canadian steel industry. Yet it is easy to see how very deeply this might be affected by an important transfer of American steel manufacturing interests to Canada. Employment in the Canadian steel and auxiliary industries, including the vital railway transport industry, would be created, and it would quickly become very difficult even for the Canadian Government to prevent changes in the agreement detrimental to United Kingdom interests which Canadian industrialists might demand as the result of such a development. The negotiations now going on between the governments of the United Kingdom and those of all the Dominions regarding the restrictive aspects of Mr.

Elliot's agricultural policy form a majestic illustration of this theme.

That the reorganisation of our agriculture by a policy designed to stabilise the United Kingdom market on a basis of remunerative returns to producers is calculated to benefit the Dominions is a thesis which can be defended on logical and economic grounds. In his speech in the House of Commons on 13th March 1933, Mr. Elliot pointed out that 'no less than 94 per cent. of the bacon which is produced in the whole world is . . . brought to these shores . . . and the same is true of 96 per cent. of all the mutton and lamb which is exported. . . . Half the cheese of the world also comes here, and so does 70 per cent. of all the butter exported.' Surely the organisation of such a market as this must be of benefit to all the countries which supply it, a contention supported by the fact that between 1929 and 1932 agricultural prices in the chief exporting countries had fallen by 50 per cent. but production had fallen by only 1 per cent. In the presence of such circumstances as these, the truly constructive policy is for all the Empire countries concerned to organise their agriculture in co-operation with each other, and a start appears to have been made with this policy. The Canadian Natural Products Marketing Bill, for example, has been modelled on Acts of the United Kingdom, and both Australia and New Zealand have recently taken legislative action designed to keep them in step with developments in this country. But, until agricultural reorganisation has been carried out in each British country, the opportunities of dangerous friction are numerous and the Ottawa Agreements must be carried out strictly in the spirit as well as the letter by all concerned.

So, in the end, we come to this conclusion. It is idle at present to try to draw up a complete and neatly articulated plan of Empire economic organisation. Let us by all means persevere with such things as Ottawa Agreements, and agreements between the industrial and other interests in the different countries of the Empire. But let us see all these things in their proper perspective, against the general background of inter-imperial economic relations, and let us not try to make them do too much, or, still more important, to do what in the nature of things they cannot do. It is not possible yet to speak more precisely than to say that the economic organisation of the Empire must be of the same kind and scope as its political organisation. The latter, we have seen, is the outcome of the will to associate which is the will of all the peoples of the Commonwealth. We want to develop a general will to co-operate in economic matters also. This involves the realisation by all concerned that we can be one Commonwealth in material things as well as in things spiritual and political. In the two preceding chapters we have seen that reason and history support this view, and we have seen also that in the actual body of existing inter-imperial economic interests and relations of all sorts we have already laid firmly a part, at least, of the foundations of the organised co-operation which we are seeking. We are engaged on a long-term policy, and we must therefore look all the time to the future, try to understand the real meaning and direction of the changes which are taking place in our economic life, and plot our course accordingly.



## CHAPTER VIII

# THE EXPANDING COMMONWEALTH

(vii)

### *Empire Economic Policy (iv): Overseas Investments*

FINANCE is the life-blood of the economic organism. The position of this country in the world economic system has been achieved and sustained by her financial strength and financial policy. British investment policy has played a decisive part in the economic development of many countries from the beginning of the nineteenth century onwards, and its functions in the future will be no less important than in the past. Broadly speaking, our policy, up to recent years, has been free trade in capital as well as in commodities; and we have made our investments where we thought we could get the biggest returns. Economic and not political considerations have determined our lendings. But, for reasons which will become apparent as we proceed, it is doubtful whether this *laissez-faire* policy will be continued in the future. We must, therefore, consider what changes are likely to occur in our overseas lending policy, and how these will bear on the general subject of imperial economic organisation. But before we go on to this, a purely factual survey must first be undertaken, because it will give us the necessary background for our present inquiry.

In the first place, there has been a notable change in

the direction of our investments since the outbreak of the War. Before 1914 the greater part of the securities offered in London were overseas issues, foreign and Empire, but since 1918 issues of domestic securities have predominated. For the years 1907-14 the proportions were approximately 22 per cent. domestic and 78 per cent. overseas issues. In the post-War period prior to 1929, the figures ranged from about 56 per cent. to 75 per cent. home securities, and since 1929 have shown a still more decided change. Thus for the years 1932, 1933, 1934 and 1935 (six months) the percentages of home issues to total capital issues in this country have been 74·2, 71·6, 71·1 and 89·5 per cent. respectively. Before the War, issues for Empire countries ranged between 30 and 40 per cent. of the total offered, but fell to an average of about 30 per cent. in the post-War years before the slump. Since 1929, however, in the division of our overseas investments between Empire and foreign countries, the disparity in favour of the Empire has been enormous. During the five years 1930-34, both inclusive, of a total of £271,500,000 overseas lendings no less than £203,100,000 went to the Empire. By far the greater part of this sum, however, was in the form of loans to governments, but it is interesting to notice that in 1934 British Governments overseas borrowed only £8,800,000, whilst £24,800,000 went to the overseas Empire in industrial issues. Sir Robert Kindersley, in his latest survey of British overseas investments, speaks of the 'continuous reduction during the last five years (*i.e.* prior to and including 1932) in the nominal amount of British capital invested in foreign loans both absolutely and relatively to the amount invested in Empire loans.' The actual figures for some of these years have been

given above, and the following table shows the relative position of foreign loans to the total during the years of which Sir Robert Kindersley was writing.

					<i>Ratio of Foreign Loans to Total</i>
1928	.	.	.	.	26 <sup>0</sup> / <sub>100</sub>
1929	.	.	.	.	24 <sup>9</sup> / <sub>100</sub>
1930	.	.	.	.	24 <sup>9</sup> / <sub>100</sub>
1931	.	.	.	.	23 <sup>4</sup> / <sub>100</sub>
1932	.	.	.	.	22 <sup>6</sup> / <sub>100</sub>

Another change of some importance in these later years is that which leads us to invest in debenture rather than share capital. Since the War, there has been a notable development of playing for safety in our investments. Sir Robert Kindersley, in fact, has estimated that debentures and other forms of loan capital constitute nearly two-thirds of British capital overseas. An outstanding example of this is to be seen in our investments in Canadian Railways, of which most are in debentures. This development means that our control over the concerns in which our money is invested abroad is constantly diminishing, a process which is reinforced by the change in the instruments by which British capital is invested abroad. Throughout the nineteenth century the favourite medium for this purpose was the British company registered in Great Britain but operating abroad. Now, however, such influences as the high rates of income-tax payable by companies registered in Great Britain as compared with companies registered abroad, and the rapid industrialisation of foreign countries, have left restricted scope for the British registered company. Even in the newer public utility enterprises abroad, such

as electric lighting and power, telephones and so on, the British company has made only slight headway in spite of the fact that these absorb a vast amount of capital. It seems, therefore, that future conditions will favour British investment in companies registered abroad rather than in this country. Yet, in spite of this fact, Sir Robert Kindersley shows that at the end of 1932 British investments in British owned and operated companies amounted to £1,204,000, whilst in the other type of company they amounted to £719,000,000. The British company, therefore, is still the chief custodian of British overseas investments in non-governmental securities. But it is the general trend of our investments with which we are concerned, and, as we see, this is apparently such as to give us progressively less control over the channels in which our capital is employed. Further, a survey of the changes which have occurred in the functional distribution of British overseas investments since 1913 show a shift over from such uses as railways, mines, and public utilities in favour of government borrowings.

There is no need to expound the colossal importance of our overseas interests and investments to our whole economic system, and we may pass direct to a consideration of them in relation to our balance of trade, leaving consideration of the relations between our export trade and our foreign investments to a later part of this chapter. Here we will merely examine the annual surplus which has recently been, and is now, available for overseas lending, and try to form some opinion as to the level of our foreign investments in the future.

There can be very little doubt that the level will be much lower than it has been in the past. Mr. Montagu Norman gave this as his opinion before the Macmillan

Committee, and the Committee themselves showed in their Report that our annual surplus for new long-term foreign investment was not only smaller absolutely than it used to be, but was also smaller relatively to our annual savings, and to the scale of the market, and was subject to sharp fluctuations amounting to as much as £100 millions, according to the estimates of the Board of Trade, between one year and the next.

Strictly speaking, the net amount available for foreign lending is represented by the extent of the favourable balance of trade on income account. The Macmillan Committee estimate our annual credit balances from 1924 to 1930 at the following amounts:

1924	1925	1926	1927	1928	1929	1930
			(£ millions)			
86	54	9	114	137	138	39

The new overseas issues on the London Market during the same years were:

			(£ millions)				
73	58	52	88	86	54	70	Empire
61	30	60	51	57	40	39	Foreign
134	88	112	136	143	94	109	Total

It will be noticed that new overseas issues alone on the London Market during these years are very considerably in excess of our net credit balances, and these, of course, by no means exhaust our lendings abroad during this period. The Macmillan Report refers to the increased risk, as compared with formerly, of our financing long-term investment by means of attracting short-term foreign funds of a precarious character and the danger

attendant on such a practice. The events of 1931, after the Macmillan Report had been published, are fresh in the minds of everybody, and the effects of the shiftings of short-term balances from one country to another needs no exposition here. There seems to be no reason to doubt that as far as our balance of trade is concerned, our foreign lending during the years immediately preceding 1929 materially exceeded our net exportable surplus as defined above. Even so, our overseas investments have shrunk since pre-War days, and the question is whether they are not too small in spite of our over-lending. As our overseas investments decline, our exports ought to increase proportionately, and this they have not done. We are in a very considerable dilemma here. Our economic welfare, uniquely dependent as it is on our international trade, requires more foreign investment than we can afford. If the springs of our credit dry up, a good part of our international trade dries up also, and the resultant condition of our balance of trade slows down our investments abroad more and more. A variety of actions and reactions make this vicious circle continually closer and more complete. We noticed on the last page the estimates of our annual credit balances made by the Macmillan Committee. The corresponding figures from 1931 onwards are:

1931	1932	1933	1934
£104,000,000	£56,000,000	£4,000,000	£1,000,000

It will be seen, therefore, that we are not likely to have any appreciable surplus available for investment from this source in the near future. It seems likely that the lowest point in the returns from our overseas investments

has been reached and passed by now, but the returns from our visible and invisible exports are not likely to rise to their old level for as far as we can see ahead at the present time.

To what extent is this undeniably gloomy picture relieved by an examination of our annual national savings? It is not possible to be very precise here, because of the notoriously vague character of estimates of national savings, but as careful an estimate as possible was given eleven years ago by the Colwyn Committee, who estimated the annual national savings at from £450 to £500 millions. With regard to this estimate of annual national savings, two points must be noticed. The first is that total national savings for 1913 have been estimated at from £350 to £450 millions. The equivalent of this amount at the time of the Colwyn Committee would be £650 millions. Thus real savings had declined by £150 millions. The second point is that national savings are not likely to touch £500 millions for some time to come. When we consider the various calls made on the national savings, therefore, we see that these are not likely to be able to make amends as far as foreign investment is concerned for the shortcomings of our balance of trade. This argument is all the stronger when we consider the demands which will be made on national savings in the future for the reorganisation and re-equipment of our national industries, and, indeed, we saw at the beginning of this chapter how decisive had been the change over in new issues from overseas to home investment.

What are we to do in view of the conditions revealed by this survey of our overseas investments? Our volume of exports, reduced as it is, nevertheless is purchasing a volume of imports greater than in 1913, because of the

shifting of the terms of trade in our favour. But can we assume that this change in the terms of trade will be permanent? There are some good reasons for believing that it will be, but we cannot be certain. But even assuming that it is permanent, we cannot be content with our present volume of exports, which is still lower than it was in 1929. Unless we expand our export trade—and the prevailing economic nationalist policies are not likely to lower the barriers to international trade in the near future—we must reduce our imports and our standard of living and keep our overseas exports of capital down to our favourable balance of trade on income account, when we have such a balance. If the outlook is as described here, the necessity to control our exports of capital becomes imperative.

We now come to a very difficult subject, namely, the question of imperial financial co-operation within a planned investment policy, for, as things are at present, and as they are likely to continue to be for some years to come, the mainspring of the financial strength of the Empire, and the chief element in any scheme of imperial financial co-operation which can be devised is, and will be, this country. None of the self-governing Dominions, and, it need hardly be said, none of the colonies, will be important exporters of capital for long enough to come. But, of course, the Dominions will supply more and more of the capital they need for their own development as time goes on. We have seen that the natural development of events has turned the main flow of our overseas investments into Empire channels for the present, but there are a few points of detail which it would be well for us to have in mind.

One outstanding feature of our investments in the



Empire is the comparatively small proportion of British holdings in companies registered in the Dominions and India. These companies seemed to have raised the greater part of their share capital in their own markets. Canada, as is well known, has drawn heavily on the United States. Barely half of the capital of South African concerns, which are almost exclusively mining enterprises and finance companies primarily interested in mining, is held in this country. This is a subject of more than ordinary interest to us, since there are obvious dangers in allowing important mineral resources in the Empire to come under foreign control. In Australia and New Zealand the paucity of our commercial investments is such that they are less than one-tenth of our investments in central, provincial, and municipal loans in those two countries. It should be pointed out, however, that one reason for this is that public utility services, particularly in Australia, are publicly owned. Also, in each of the other Dominions, and in the colonies as a whole, one outstanding industry, such as railways, tea, or rubber planting, tin or gold-mining accounts for the bulk of the capital held in Great Britain, and neither Australia nor New Zealand has any such single predominant industry.

This being the situation, is it satisfactory, and if not, is there anything we can do to improve it? In the first place, we must look at our problem in connection with the whole subject of foreign investment. We have seen reasons for believing that our volume of foreign investments will be lower for some years to come than it has been in the past, and we have seen that in the post-War years investment in the Empire has gained over investment in other parts of the world, for the striking pro-

portion of our new investments which for a part of the post-War period had been devoted to Europe has not been maintained. It might be reasonably argued, therefore, that natural forces are at work producing a satisfactory distribution of our investments between foreign and Empire countries. But, in view of the Empire's need for capital and its illimitable scope for development, it is not enough that it should merely maintain its proportion of a shrunken and diminishing total. Can we take any effective action to meet the Empire's need for capital, and, if we can, ought we to do so, in view of our own peculiar economic position and the necessity for our making investments in foreign countries? Some of the materials for an answer to the second part of this question will be supplied later in this chapter, when we discuss foreign investments and export trade. For the present we will confine ourselves to the first part of the question.

We must ask, What are the objectives of our foreign lending, and, consequently, what foreign lending policy should we adopt? If our objective is merely to get the highest yield, then it is right that each individual should send his money where the rate of interest is highest, and move it from one place to another as the rates vary. Short-term lending becomes, then, the ideal and the practice, but the beneficial effect of our foreign lendings on the economic development of the world and the consequent level of international trade and welfare tends to fall to a minimum. Money invested at long term in developmental enterprises is clearly of greater benefit to the world, though not, in the short run, to the investors themselves, than when it is employed in purely financial and commercial transactions. Again, to con-

sider long-term investment, it cannot possibly be to the ultimate advantage of this country that its investable funds should go into foreign government or municipal loans simply because they can earn an additional  $\frac{1}{4}$  per cent. or so above what they would earn at home or elsewhere in the Empire. Our investment policy, then, should be to invest in British owned or controlled productive enterprises, and at this point we come to a matter which will have to be further considered later on. We cannot possibly neglect foreign countries and concentrate entirely on the Empire. In many parts of the foreign world, and notably in South America, British capital and British industry have created enterprises which are 'tied' to us and which we cannot allow our competitors either to absorb or to take the lead in developing, without serious injury to our trade and our international economic position. There will have to be a due balance between investment in the Empire and in, at any rate, some foreign countries. But there is some scope for rationalisation of overseas investment. In the past enormous damage has been done by anarchic investments in undeveloped countries with their *sequelae* of booms and collapses and general economic mal-adjustments and losses and follies. The financial history of some of the South American republics are outstanding examples of what is meant. This sort of thing can and should be avoided. Similarly, investments in foreign municipalities and governments, and, for that matter, similar investments within the Empire, should be, as far as possible, regulated and controlled.

But here we are brought up against a very formidable problem, namely, How far and for what purpose can our foreign investments and lendings generally be con-

trolled? The evidence given before the Macmillan Committee contains many references to the necessity and the desirability of controlling our foreign investments in favour of investment at home, and there was widespread criticism that the Bank of England does not hesitate to supply the needs of foreign countries when it thinks fit to do so, even though British trade and industry may be suffering for lack of credit. Many of these critics overlook the impossibility of financing our needs for food and raw materials without foreign investments which contribute so large a share to our invisible income, and they forget that our investments in the past are being continuously redeemed, lost, and sold, and that the gaps thereby caused must be repaired. Nevertheless, after looking at the question in its broadest aspects, the conclusion can hardly be avoided that the limits of foreign lendings will have to be drawn more closely in the future than they have been in the past. Sheer financial stringency will assure this even in the absence of any restrictive policy.

It is clear that any action taken on these lines involves the discouragement of some kinds of overseas investments which we have been making in the past, and the diversion of the sums involved either to home investments or to other overseas investments. Further, we must take note of the following considerations:

(1) It is impossible to forecast accurately the effect of any given discrimination.

(2) Discrimination should not be merely temporary, because, in that case, its effect would be little or negligible. On the other hand, permanent discrimination would have long-period effects which might be very different from those anticipated.

(3) An attempt to discriminate by, *e.g.* differential taxation, would introduce an intolerable amount of insecurity into the investment market.

The evidence of those witnesses before the Macmillan Committee who spoke on behalf of the Bank of England showed a frank disbelief in the efficacy of discrimination in the matter of overseas lendings. Mr. Norman was quite emphatic on this point. He emphasised the fact that the 'unofficial embargo' in 1925 was purely an exchange question and that, even so, it was not very effective. The Bank, according to its Deputy-Governor, who also gave evidence, used purely 'moral suasion,' and the City loyally followed the Bank's lead. Recent experience of control of new issues has shown, however, that a definite official embargo can be a very effective measure.

But although some measure of success, greater or smaller according to circumstances, can attend embargoes or discriminations exercised on political grounds, the success must fall far short of being complete. What really controls the situation is not the new issues, but the existing pool of overseas investments from which anybody can buy securities anywhere at any time. Embargoes and discriminations must lead *inter alia* to better organised secret sales in this country of foreign-held bonds—an obviously undesirable proceeding. It is highly doubtful whether the sort of embargo encouraged in the past by the Bank of England has ever been even temporarily successful as far as the short-term market is concerned. Unless every individual investor scrupulously observes the embargo—an impossible condition—it is bound to collapse, for it is the individual investors and not issuing houses who control ultimately the export of

capital overseas. The fluidity of money and the facilities now existing for moving it about will always largely defeat all official efforts at control. Still, the final verdict in this matter must be that political control can be partially effective, and so there exists a certain scope for canalisation of new investments into Empire channels. Whether such control or discrimination should be exercised by means of differential rates on the registration of foreign transfers and on foreign loans in this country, or by a differential rate of income-tax on yields from foreign investments, and so on, are matters which need not concern us here.

From what has been already said, we may agree that a long-term investment policy, controlled both for home and overseas, is desirable, and also that within certain limits such a policy is possible. From the home point of view the policy is desirable in order to carry out the re-organisation of our industries. From the Empire's point of view it is desirable because it will ensure to Empire countries the maximum possible share of our capital exports, and a balanced adjustment between this and the share which we must export to certain foreign countries. Further, it will enable the balance to be held between investments in productive enterprises and investments in loan and debenture capital to which attention has been drawn. What is the mechanism by which this is to be done?

A very large amount of investment is done for the small investor by Investment Trusts and Insurance Companies, and a big proportion of the investment of business savings is done by big Joint Stock Companies, most of whom have an investment branch looking for profitable investments all over the world. Naturally these organisa-

tions invest where they find the maximum of safety and yield, and political and imperial considerations are normally absent from their calculations. Trust and Insurance Companies and the investment bureaux of the big Joint Stock firms invest heavily in American securities, and our high taxation, also, with its first call on savings takes much of the latter, via Sinking Fund and other government uses, into the money machine, whence it flows easily into foreign investments. Sir Josiah Stamp has pointed out that even when such money is invested in this country after it leaves the hands of the government, it goes into big business and thence via investment bureaux all over the world.

Banks only occasionally make foreign loans, though, of course, they take part in the issues by underwriting them pending their being taken up by the public and by negotiating them at the request of foreign customers. The Bank of England is normally consulted by the houses which issue foreign loans, as to the suitability or otherwise of the issue at the particular time. Government consent is not necessary to any such issue. The Bank of England, however, by making short credit abundant and rates as low as the limits imposed by the foreign exchanges will permit, can drive some short-term leaders away from the short-term market and persuade them from motives of profit to go into the long-term market. They can, of course, do the reverse of this and thereby restrict the volume of capital expenditure. Naturally, this simple statement is open to various qualifications, but it does show that a certain measure of influence over the investment market rests in the hands of the Bank of England.

It seems, therefore, that there is scope for some

national authority to supervise new issues and the purposes to which they are to be devoted, and to see that savings are not wasted in foolish or fraudulent enterprises, whether at home or abroad. Such an authority with, possibly, statutory powers and working in close touch with the Bank of England and the Treasury, could, among many other functions, regulate that amount of our investable funds which could safely be spared for the Empire in view of the necessary claims of certain foreign countries, and guide it into subscriptions for Empire loans which would then be allotted to the appropriate purposes and Empire countries. There should be no unregulated private investments so far as financial and administrative techniques are able to prevent them from being made. Such control of the controllable field of foreign investment would also save us from many of our exchange problems and troubles. The scheme has the merit of being elastic. It can harden against loans to foreign countries when necessary or desirable, and relax and favour them at other times. The canalisation of investment into particular channels by differential taxation postulates a scheme rigid and inflexible and very largely incalculable in its results, one which would, in fact, be erecting permanent barriers which would constantly obstruct us even at times when freedom was essential. Further, the creation of such a controlling authority as is suggested here would help to ensure precision of action. Those countries and those uses would receive our available investments in the form and measure and at the times best calculated to secure the maximum beneficial results for us. As we have seen, such a scheme cannot by any means stop large and serious leakage overseas, but it can bring about



order and calculated action over the greater part of the field of our foreign investments. In view of the circumstances disclosed in the earlier parts of this chapter, the necessity for such order and calculated action is clearly seen. The only alternatives are the prevailing anarchy or the hit-or-miss methods of taxation legislation.

The foregoing discussion is concerned solely with the practical, and with some theoretical aspects of imperial co-operation in financial matters regarded as a problem of the best disposal of the investable surplus of this country. Nothing has been said as to the objectives and ideals of investment in the British Empire. This colossal background should be understood. Some of its main features, which occupy other chapters of this book, are the distribution of human, industrial, and capital resources to the best effect throughout the Empire, the balanced and humane development of the tropical portions of the Empire, the development of the economic activities of the various Empire countries in step with each other, and the forging of the less material but infinitely stronger bonds of union formed by the association of kindred peoples in high and worthy enterprises.

Lastly, let us examine the bearing of our investment policy—primarily our overseas investment policy—on our export trade. We shall give a wide meaning to the term ‘overseas lendings,’ including in it the credit given to finance exports. The periods for which credit is given are tending to become longer and longer, and so it may be regarded as capital exported for the time being.

It must be freely admitted that many of our overseas lendings have not the slightest effect on our export trade. The short-term money, for example, which moves about,

attracted from one place to another by differential rates of interest, has no effect on it, nor has the money which investors in this country, either from fear or in order to get a greater yield, transfer to other securities. It is when we come to our new long-term capital investments in productive enterprises overseas that we see the relationship between capital and exports and export trade. Long-term capital invested abroad is used mainly for buildings and constructions and for equipping the borrowing country with all kinds of machinery and tools. Thus, the capital exports create a market for iron and steel and engineering products, and so on. Before the War it was common to trace a direct and immediate connection between our capital exports and our commodity export trade, but now the matter cannot be so simply stated. In these days a number of technical financial factors obstruct the direct relationship between capital exports and export trade. Since the War, borrowers from us have been largely disposed to buy their rails, electrical goods, machinery, and so on, outside this country, because of the higher prices ruling here. This conduct on the part of foreign borrowers in this country places direct pressure on our exchanges which would be absent if the purchases were made wholly, or even largely, in this country. The upshot is that foreign loans now tend to lead, to a greater extent than before, to a negative balance of trade, or else to a resort to measures designed to make the short-money market here more attractive. We are on safe ground in assuming that the main reason why our very large foreign lending in London before the slump did not result in an improvement in our industrial position is to be sought in the comparatively high prices of British products. But another

reason is found in the fact that much of what we have lent abroad has remained in this country as short-term debts. Also, some of the foreign balances here arise out of non-commercial operations. For example, the balances held in London on French account some years ago arose largely out of the receipt of reparations by France in excess of payments abroad on French Government account. Foreign loans raised either in London or New York for Germany subsequently became short-term balances held by France in either London or New York. But, if British industry had recovered its competitive strength during those years, then we should have found ourselves in the position of having already financed a considerable part of our export trade. This would also be true, for example, if France undertook a programme of capital lending abroad, for, although the French themselves would probably not take the British goods, it is possible that they might turn their balances in London over to those who would buy British goods. In any case, enough has been said to show that there is no direct or inevitable relationship of a beneficial kind between the amount of our foreign lendings and the volume of our overseas trade. Indeed, the opposite view is by no means absent from current controversy, namely, that an increase in our overseas lendings is ultimately harmful to our export trade. The view has been put forward that as we increase our investments abroad, we increase the call upon bank credit, which, being limited to a theoretical gold basis, must gradually restrict the amount of credit available to British producers. This results in a restriction of internal production and the export trade, and, to make assurance doubly sure, our producers have to contend with the increase of imports

necessary in order to discharge the interest receivable by British holders of foreign securities. Such a statement as this is too narrowly logical to be accepted, and is faulty in certain points of both assumption and deduction. Certainly our commercial policy since 1931 has rendered some restatement of this argument necessary. It is, in any case, completely vitiated by the tacit premise of a fixed stock of capital out of which foreign lendings are made. It does not take the dynamics of the process into account and perceive that the foreign lending itself may set up a series of processes calculated to increase the welfare and the capital resources of this country. Nevertheless, this hostile point of view serves to draw attention to the dangers of overlending abroad, and to the desirability of maintaining a due balance between home and foreign investments.

There are, in fact, strong forces at work encouraging the purchase of both capital equipment and services from the lending by the borrowing country, especially when the borrowing is being done by undeveloped countries for developmental purposes. One of the main reasons why exports of goods followed our exports of capital in pre-War days was that the capital went so largely to countries engaged in long-term policies of development, and that we could offer our goods at competitive prices. It is beyond any doubt that the capital exports of this country have played a leading part in building up our export trade, both by creating demands for actual goods and by building up a good-will towards us. Competent students think that even stabilisation loans and loans to foreign municipalities bring us large orders in many cases, if not directly, then indirectly, since stability anywhere is favourable to international trade. But this

argument also is deeply affected by prevailing national economic policies. In the case of the United States of America, there is no reason to doubt that their great share of South American trade since the War was the result chiefly of their increased investments and acceptance business there, backed, of course, by efficient and aggressive salesmanship, and goods at competitive prices. We must never lose sight of this last condition, for it is the master factor in our export trade, which in turn is ultimately both creator and regulator of our flow of overseas investment.

It is often suggested that conditions should be attached to our foreign loans, compelling borrowers to buy from this country a proportion, at any rate, of the goods purchased with them. Such conditions were never attached to British loans before the development of the new technique of commercial treaty-making, and are not a part of our regular practice even now. But issuing houses have usually tried to ensure that money lent by Britain is spent in Britain. France customarily takes careful steps to ensure that she gets orders in return for her loans, and the same rule is followed to a large extent in the United States. It is possible that we might follow the same course, provided always that we produced the sort of goods that the borrowing country wanted, and that we produced them at competitive prices. In fact, the rationing of our overseas lendings which will be one of the main features of our financial policy in the years ahead of us should give us a certain advantage in this sort of bargaining. The competition for our reduced foreign loans will probably be fairly severe between developmental projects and purely financial operations, and the certainty of orders for this country might be

made to tip the scale in favour of the one as against the other. It is impossible to be more precise than this.

As we take a general view of current economic conditions we see that the slowing down of capital exports to undeveloped countries during the past few years is quite clearly reflected in the slowing down of exports of capital and consumption goods to the same countries. The importance of capital exports to our export trade is thus clear enough by this time, and so is the price factor of our goods and the competitive power of our industries. They are all bound up together, and hence the need for control at all stages of the process—in industrial production, in the distribution of our investable surplus between home and overseas, and, overseas, between foreign and Empire countries, and lastly, between productive and unproductive uses everywhere. As far as we are concerned, we shall for some time to come have less to invest than we have had even in the recent past, and we must see how far we can make organisation, knowledge, and forethought replace the amplitude of resources which have been, for the time, withdrawn from us. The control of our overseas investments in favour of Empire countries would mean at the very least that we should be aiding the economic development of our best customers, whilst the intensified demand for that portion of our investable surplus available for foreign countries would give us additional advantages in the bargaining by means of bi-lateral commercial treaties, which is now the accepted technique of international commercial intercourse.

## CHAPTER IX

# THE EXPANDING COMMONWEALTH

(viii)

### *Migration*

THE economic discussions of the preceding chapters are a necessary prelude to the study of inter-imperial migration, and of the somewhat wider problem of total immigration, *i.e.* foreign as well as British immigration into still under-populated countries of the Empire. The problem of purely inter-imperial migration resolves itself for all practical purposes into emigration from the United Kingdom to the overseas countries of the Empire, and primarily to the Dominions. Later, we shall see how very fortunate the British people are in having an emigration problem free from political and racial complications, a problem which is in essence one of economics only, and thus, to a very large extent, capable of solution by themselves. Because the problem is essentially economic, it was necessary that we should first examine the fundamental conditions which govern our inter-imperial economic relations, and also the lines along which they seem likely to develop so as to keep in harmony with the moral and political development of the expanding Commonwealth itself. It is now not open to doubt that emigration from the United Kingdom to other parts of the British Empire will never again be the some-

what haphazard affair which it has been for the past seven or eight decades, the result of numberless individual decisions, having as their main outcome the loss of many millions of our most vigorous men and women to the United States of America. It will, on the contrary, be controlled by the general economic and financial policies adopted by the different British countries. Organised schemes of emigration, particularly of children, will find a place in the future as in the past. But we shall fall into dangerous error if we believe that by these alone we shall solve the problem of distributing the white population of the Empire so as to secure the maximum amount of welfare for all its peoples.

Any future migration schemes, whether organised by governments, by public bodies, or by private individuals, will have to accommodate themselves, and be subsidiary to, the ruling considerations which are now to be discussed. For this reason it is not necessary to give in this book any account of particular schemes of organised migration past or present, although most of them illustrate from one angle or another the principles which we are about to examine.

The inter-departmental Committee on Migration declares in its report, published in September 1934, that emigration by the free choice of the individuals concerned must still continue to be the rule. This is true enough, but general economic policy, of which migration is but one of the factors, can no longer be the chance offspring of *laissez-faire*, and we must look at this great human problem in its proper relationship to the complex of political and economic problems which we have been discussing in previous chapters. But before we deal



with migration as a domestic problem of the British Empire we must perforce examine it as a world problem, for reasons which will now appear.

As we look at it from this angle we see in the forefront of our subject certain broad demographic features which remove migration outside the range of purely national interests. The first of these features to which we must direct our attention is the differential birth-rates which we find, not only between different races inhabiting different continents, but also between the different European countries. One of the most striking and spectacular features of world vital statistics is the great leap forward of the population of Europe from the beginning of the nineteenth century. Europeans to-day form perhaps twice as large a proportion of the world's population as in 1800, and the population of Europe has almost trebled itself since that time. In spite of this great expansion, however, there has been a general decline in the birth-rate in Europe since the seventies of last century, but it has proceeded unequally as between different countries. Whereas certain of the Western European countries, and notably Great Britain and Germany, were well in the van in the matter of population increase during the first six or seven decades of the nineteenth century, the big increases are now taking place in the south and east of the Continent, in Italy and Spain, and in Russia and Poland, and in other countries east of Germany and Austria.

Outside Europe, excluding China, because of the great conflict of opinion regarding her population and its rate of growth, and the admittedly unsatisfactory character of much of the evidence concerning these, our attention is directed mainly to Japan and India. In the latter

country we find that the population has probably more than trebled itself since the beginning of the nineteenth century, and that the true increase in population since the first official census was taken in 1871 is somewhere in the neighbourhood of eighty millions. This is after allowing for the inclusion of new areas in the census, improved methods of enumeration, and so on. In Japan, the population doubled between 1868 and 1928, and is increasing by about one million per annum. Again, excluding China, where the most that can be said is that there is not likely to be any appreciable change in the next half-century or so, the population of Asia generally is expanding. In all these countries of what we might call new population expansion, there is no reason to doubt that the process of increase will continue for some time. We must assume that the application of medical and other scientific knowledge and the general development of their economic systems may even increase the present rate of population growth in the near future in these countries which, indeed are, in all likelihood, now approaching the period of their most rapid growth. In his Harris Foundation Lecture of 1929, Kuczynski says that 'the population of Western and Northern Europe, North America and Australia combined no longer reproduce themselves.' This statement cannot be accepted as literally correct without some doubts and qualifications. Nevertheless, study of the vital statistics of the peoples concerned shows that the position defined by Kuczynski has been reached by some of them and is being more or less rapidly approached by the others.

Bearing these broad features of the differential birth-rates in mind, we must remember that the peoples,

largely of Western European origin, who as a whole are approaching a state of stationary population, control a very large part of the vacant land areas of the earth, and apparently, so far as migration is concerned, intend to control them even more rigidly in the future than they have done in the past. It has been estimated that the proportions of the populations of North America, Europe, and Asia are to each other as  $1 : 3\frac{1}{2} : 7$ . And this disparity is likely to increase rather than to diminish in the future. In all the countries of high birth-rates, excluding Russia, whose soil and resources can be made to support her increase for a long time to come, the pressure of population on national economic resources is intense. Driven by sheer necessity, arising out of the restrictive policies of the countries of immigration, these countries are trying to develop their resources, both natural and artificial, to the utmost. By means of irrigation, land reclamation, agricultural scientific research, and so on, natural resources are being exploited to the full, but in none of them is there any prospect of complete and permanent relief in this direction. Therefore these countries are being forced to develop their secondary industries and reduplicate existing industrial productive power, 'protected' by national economic policies which have already inflicted grave injuries on the world and will inevitably lead to fiercer economic conflicts between the nations in the future than they have done in the past. The economic factor of the problem is charged with danger no less imminent and far-reaching than its racial and political factors. In a word, just as the great expansion of the populations of Western Europe in the eighteenth and nineteenth centuries has posed us with certain major problems whose solution is only now

beginning to press upon us, so the recession of these populations, now and in the years to come, is presenting us with other problems not less formidable, which will have to be solved simultaneously with the earlier problems. We have got to visualise the emergence of deep-seated differences of interest and policy between the white races themselves, and between certain of the white races and some of the coloured races. We shall shortly study the broad statistical features of the migration of these countries of expanding population, but we may note here that, but for the restrictive immigration policies in certain countries, mainly Anglo-Saxon countries, there is very little doubt that migration from some Asiatic countries would have been much larger in the past and would be running much more strongly to-day than it is. Quite apart from the demographic and economic conditions of these countries, we must remember that increasing education and knowledge brings into play in them exactly the same factors as have stimulated emigration from Western Europe in the past. Apart from the desire to take advantage of economic opportunities elsewhere, the mere desire to go abroad and increase their knowledge of other lands and other ways of life are important intangibles. Thus, as we shall see when this rapid survey of the more obvious demographic features has been completed by an examination of present-day national migration policies, the people of one particular part of Europe are, so to speak, ranged against the greater part of the rest of the world in this matter of migration. Of course, it is impossible for any particular population to continue to expand at a constant rate for an indefinite period, and, also, there is no reason to believe that any race is in-

herently more fertile than any other. Nevertheless, there are no natural reasons why what we have called the countries of new population expansion should not continue to expand throughout the greater part of this century whilst the others contract. And in the countries of high civilisation the growing knowledge of methods of contraception, combined with increasing urbanisation and its proved deleterious effect on the birth-rate, make it reasonably certain that the decline in the birth-rate will spread rapidly to all classes.

Now, the number of countries which have adopted systematic migration laws, based on their own individual national interest, has greatly increased since the end of the War. In this legislation we see quite clearly a broad cleavage of interest and point of view between most of the countries of emigration and the receiving countries. The tendency in the former is no longer to regard the emigrant as a loss to his country. He is being given increased protection in order to ensure that he retains his affection for his homeland, and, as far as possible, to guarantee that he does not lose his peculiar national traits. The old unrestricted right to individual liberty in the matter of migration is being taken away and replaced by State control, which aims at a policy of collective migration in the interests primarily of the State and not of the individual.

In view of this development in the policies of the countries of emigration, it is not surprising to find that the countries of immigration are devoting increasing attention to the problem of how best to guard against the disorganisation of national unity and security produced thereby. This attention shows itself in the increasingly restrictive character of immigration legis-

lation, restriction being attained either by increasing the difficulties of admission by one pretext or another, or by actual numerical limitation. Moreover, action is not confined to this more or less negative policy of restriction. Some countries now pursue an active policy devoted to speedy assimilation and complete nationalisation of their immigrants, and this, in turn, is bound to result in further restrictions, since the unassimilable races, particularly in the English-speaking countries, must become increasingly unwelcome. The countries which at present receive immigrants in appreciable numbers may be broadly divided into two classes. The first class consists of those countries whose economic conditions make it necessary for them to regulate the flow of immigrants in conformity with the demand of their labour market. These countries tend more and more to look for quality in their immigrants. The other class comprises those countries which welcome any sort of labour and do not trouble so much about quality, provided they get quantity. Of this second group of countries perhaps the outstanding example is Brazil, but how long she will remain in this category is doubtful. In the first group are all the more important countries of immigration, such as Canada, Australia, the United States of America, the Argentine, and now, perhaps, France. Of this development on the side of the countries which receive immigrants the most spectacular example is provided by the United States of America. Her position in the immediate post-War years was quite exceptional, for she was the objective of about half of the migrants who travelled overseas from their homes. Without exceptional measures of protection it is impossible to say to what height the flood of immigration into the United States might have

risen. Certainly the labour market would have been hopelessly overstrained and the cherished American policy of assimilation of immigrants must have been rendered immensely more difficult of application. Hence the legislation of 1921 and 1924 and the quotas on the 'national origins' bases. The real effect of this legislation was, of course—as it was meant to be—selective of the so-called 'Nordic' races. Further, admission is granted only to those who might reasonably be expected to become completely assimilated, and this, in effect, meant the total exclusion of immigrants of such races as, for example, the Japanese.

When it is remembered that modern emigration, from the beginning of the last half of the nineteenth century until the Great War, was practically entirely spontaneous and personal, there will be no difficulty in seeing something of the effect which all this restrictive legislation and other forms of interference with free movement has produced on the flow of migration. Coming, as it does, more and more under control at both ends, the stream of migration can no longer, so to speak, find its own level. Economic desire and impulse, on the one side, can no longer mate with economic opportunity on the other side. No longer do we see anywhere the wide-open doors of the past, not even in the countries of South America.

The peoples most deeply affected by restrictive legislation are the 'non-Nordic' peoples, for whose emigration, it has sometimes been suggested, room might be found in the South American countries. Since the restrictive legislation of 1921 in the United States, the Argentine has quite definitely taken the first place as the objective of Italian emigration, for example, with the United

States second, and Brazil far behind, as third. These two South American countries have taken numbers of other 'non-Nordic' peoples since the War. Indeed, from 1875 onwards, either the Argentine or Brazil has been the chief country of immigration, after the United States, and, therefore, in view of their past and present importance, it is natural that those in search of a substitute for the United States of America should turn their eyes towards the south of the continent. But these countries also are beginning to restrict entry more and more, and, quite apart from restrictive legislation, their present economic position and prospects of development in the near future hold out but faint hope that they will be able to receive the surplus of the 'non-Nordic' populations in anything like the numbers which entered the United States of America in the past. Canada has obviously taken to heart the lessons provided by the experience of her southern neighbour, not to mention her own experience with certain 'unassimilable' elements, and, as we shall see, she also will prove but a poor substitute for the haven which such migrants have lost through recent legislation in the United States. These remarks apply with still greater force to other British Dominions.

If these developments in the main countries of immigration have hit certain European peoples very hard, they hit others still harder, for in the two great North American countries, at any rate, the entry of coloured peoples is virtually prohibited. Looking outside Europe to the movements of coloured migrants, interest is practically entirely confined to the Chinese, Japanese, and Indians. The overseas movements of all these three peoples are comparatively small. Chinese emigration to Malaya, the main overseas outlet for Chinese emigra-



tion in the past, has frequently exceeded the hundred thousand mark annually in recent years, but in the absence of official Chinese figures and the known existence of a strong volume of returning Chinese nationals from abroad, it is difficult to estimate the present total net outflow of Chinese with any high degree of accuracy. Japan's main overseas migration seems to be settling in towards Brazil, since the entry of her nationals into United States territory in any part of the world is now so severely restricted. Indian migrants now resident abroad represent about 1 per cent. of the total population of India, and half of them are concentrated in Ceylon, while about one-third of the remaining half are in Malaya. In some of the East African colonies there is a certain scope for Indian traders, but for mass migration of Indians there is no scope, even in the British Empire, notwithstanding the important flow of Indians in the past to places like Malaya and British Guiana. To-day, therefore, the main movements of Chinese and Japanese are of the 'continental' type, whilst the greatly restricted volume of Indian overseas movements are of the temporary, indentured labour type. Recent movements of Chinese into Manchuria and Mongolia have been estimated as high as from three hundred thousand to half a million annually, but Japanese migration into Korea and Asiatic Russia is no longer important, nor is the Indian migration to Burma, Indo-China, and certain other neighbouring countries. The Japanese are in a peculiarly difficult position because their standard of living is higher than that of either the Indian or Chinese, and therefore they do not really compete as migrants with either of these two races. Nevertheless, most of the countries suitable to

their migrants are closed to them as completely as they are to migrants of the other two races.

The phenomena which we have been studying are a jumble of natural and artificial, rational and irrational conditions and actions. At first glance it may appear that purely political and racial considerations have determined not only migration developments of recent years, but, to some extent, as in Italy and Poland in particular, even the course of the birth-rate. Such considerations have, perhaps, been the most important factors in determining migration policies in recent years, but they find strong support in the economic factors in migration. Large tracts of the economic field still remain to be surveyed, but important work is being done in the United States of America and Canada particularly, and also in France and Italy. The work of the National Bureau of Economic Research in the United States comes easily first in this respect, but Canadian work will ultimately prove to be no less important and significant. Jerome's study, *Migration and Business Cycles*, shows conclusively that the cyclical fluctuations in migration are, as far as the United States of America are concerned, to a large extent a reflex of industrial conditions there, and gives us some of the groundwork for a statistical demonstration of the effects of immigration on the intensity of the alternate rises and falls in the trade cycle. Canadian work has shown complete correlation between unemployment and emigration from Canada. Not only do the greatest numbers leave that country at times of the greatest unemployment, and not only do most go from the occupations which are the hardest hit, but also it has been shown that the greatest unemployment has been preceded by the heaviest immigration.

Among American students of migration problems, there is an important section which maintains with General Walker that the growth of the population of the United States of America, as the result of immigration, has been at the expense of the growth of the native stock. There are ample reasons for maintaining that the population of Canada would have reached its present level had the immigration of the past half-century not taken place. Analysis of Canadian census and migration reports proves conclusively that native Canadians and older immigrants have been actually pushed out of Canada by more recent arrivals. In Canada the cause of this displacement has been the superior competitive power of the single male adult over the married man with a family, and this phenomenon, bound up as it is with the wider question of the economic reactions of the particular age and sex distributions of the population brought about by immigration, calls for skilled economic analysis. An analogous problem arises in the countries of emigration.

Another important question to which attention is now being directed is that of 'saturation points' in population and immigration. Such points have been repeatedly reached in the countries of immigration, when there has always had to be an outward flow of population. At other times, as, for example, when new areas were being filled up in the United States, the South American countries, Australia, and in the Canadian Prairie Provinces from 1901-11, the country concerned has been able to absorb and retain immigrants without displacement of previously resident population. The study of 'saturation points,' their cure, or, better still, their prevention, will throw a flood of light on the economics of migration.

Since the days of the old Committee of 1826-27 on Emigration from the United Kingdom, the question has been debated whether the 'pull' of conditions in the countries of emigration has been the most effective factor in migration. As far as the United States of America are concerned, there can be no doubt that the deciding factor has been the 'pull' of conditions, and this is, almost certainly, true in other cases. Formerly, when the different countries were economically more independent of each other than they are now, there was much scope for 'labour arbitrage,' so to speak, with resultant advantages to the countries both of immigration and of emigration. But the continually growing economic inter-dependence of all the countries in the world tends to make periods of prosperity and depression synchronise everywhere. Thus, for example, when conditions in England favour emigration to Canada, conditions in the latter are unfavourable. Nevertheless, even during periods of depression there is some migration, with corresponding effects on labour conditions in the countries of immigration. Here again is another disturbing element in the problem of modern migration, and one which will have to be dealt with on an international basis on lines to be discussed shortly.

The last of the many economic factors involved in migration to be discussed here is the effect of heavy immigration on the course of production and prices in the countries of immigration concerned. The bulk of the immigrants are single adult males, giving, in times of large arrivals, abnormal earning power. These, as a rule, spend their earnings freely and immediately. With them the conditions of optimism and confidence which underlie all trade booms are instantly present. Capital

goods in the shape of houses, farms and other implements, and so on, are freely bought, as well as consumption goods. Frequently a not inconsiderable amount of speculation originates in the same quarters. Then sooner or later, as census figures show, a sudden change takes place. Abnormal numbers of single men marry, irresponsibility is succeeded by responsibility, optimism by caution, if not by pessimism, with economic reactions the reverse of what were mentioned a moment ago. The resultant effects on the age distribution of the population during succeeding years need only be referred to. Finally, the speed at which migration produces the economic effects we have been considering must be remembered. It is too great to allow adjustments to be made with as little dislocation as in more normal economic changes, and thus attains the importance of a major economic factor in itself.

The matters dealt with in this long discussion of the problem of migration in its universal and its technically economic aspects are of vital importance for us of the British Empire. Their examination shows us that unless we are able to develop and people our young countries with men and women of our own stock, sooner or later we shall be unable—both physically and morally—to oppose the assumption of the task by others. Indeed, we are here in the presence of a problem as clamorous in its demand for solution as the old problem of the reconciling of colonial nationalism with imperial union. That problem has been solved, but has in turn brought forth the problem which we are now considering, and those which were discussed in the previous chapters, namely, the achievement of diplomatic and economic union inside the Commonwealth. Internal conditions and the

inner working of the forces which have created and maintained the British Commonwealth alike make the solution of these problems an instant and pressing obligation, and none of them admits of a solution independent of that of the others.

The position of the British Empire and its white races in the matter of migration is, we see, unique, and to its main features we may now turn. In the first place, two Empire countries, Canada and Australia, could, and ought to, rank among the most important of all the countries of permanent immigration in the future. Secondly, the people of the United Kingdom, the most important of all the countries of emigration in the past, can move freely to the overseas Empire lands undeterred by racial or political considerations. They are in the happy position of having their movements in these particular directions governed by economic considerations only. Further, the economic development of the present-day British Dominions will be of a kind to favour emigration from the United Kingdom much more than it has done in the past; and lastly, the trends of the birth-rate in the United Kingdom, and of immigration legislation in the Dominions, make it reasonably certain that the Empire will be both able and ready to absorb all the emigrants from the mother-country in the future. In an appendix to the Astor Committee's Report it is shown that, even without migration, the population of the United Kingdom will approach a stationary condition by 1950, provided the fertility rate and the death-rates in the different groups remain the same as in 1928-29. If, however, these rates continue to move as they have done in recent years, then, again without emigration, the population will begin to decline in the

quinquennium 1938-43. These facts, which are fairly widely known, have given rise to the argument that emigration from this country cannot be carried on in future on a scale sufficiently large to ensure the maintenance of the predominantly British character of the British countries overseas. This is a complete mistake, and is based on certain features of past experience which are highly unlikely to be reproduced in the future. It is based, first, on the very high total immigration into these countries in the past, and, secondly, on the assumption that the old conditions of virtually unrestricted immigration will be allowed to persist. The argument would be sound if immigration into, let us say, Canada, were to be resumed on anything like the scale of the five years, 1910-14 inclusive, when over 1,650,000 immigrants entered the country, or, even, on the scale of the five years beginning with 1920, during which an annual average of over 126,000 arrived. Anything like this is entirely ruled out for the future by the fuller understanding of the economic possibilities of these countries of immigration which now generally prevails, by the strong trend, already mentioned, in immigration legislation, and by the growing movement towards planned economic development. The most authoritative calculations, based on the fullest and most recent data available, agree that Canada will double her 1931 population in approximately forty years. On this basis, her maximum absorptive capacity is about 180,000 per annum, while her average will be somewhat lower. Excluding the new annual entries into the labour market provided by the natural increase of the population, and excluding also Canadian nationals returning from the United States, Canada will be able to absorb,

in times of normal economic activity, a number of new immigrants varying from 25,000 to 50,000 annually. It is not being suggested that Canadian legislation will restrict immigration to these particular figures, but it is reasonable to suppose that there will, in fact, be far more drastic restriction and selection in the future than there has been in the past. Clearly, the United Kingdom can supply Canada with immigrants on the above scale for very many years to come, and also the higher numbers which will represent her absorptive capacity as her population grows.

In spite of the difference in the economic conditions of the two countries, Australia's absorptive capacity for British immigrants should be approximately the same as Canada's, because of her lesser natural increase and the absence of very large numbers of her nationals overseas who are anxious to return. New Zealand and South Africa, naturally, will require nothing like the numbers of the two greater Dominions. We thus see that the 90,000 British emigrants of the Astor Committee's Report will almost suffice to meet the absorptive capacity of the Dominions for new permanent immigration, and thus make the retention of the British character certain. There will still be scope for some foreign immigration, and, remembering what was said earlier about the organisation and use of temporary immigrant labour, this brief discussion will put this very important aspect of Empire migration in a somewhat clearer perspective than it was left by the Astor Report. It must, however, be emphasised that these arguments refer to existing conditions. Future changes and developments may alter their bases in important particulars.

Bearing in mind the changing trends in consumption,



from the 'primary' to the 'secondary' needs of mankind, and looking at the broad distribution of industries within the Empire, we find that there is a very rough division by which the United Kingdom is the manufacturing centre and the Dominions and colonies are the centres of primary production. There is, however, also a certain amount of agricultural production in Great Britain and a rapidly growing development of manufacturing in some of the Dominions. These manufacturing industries are mainly confined to the processing of locally produced raw materials and the production of the staple manufactures, such as iron and steel, clothing, etc. Canada has made some advance into the newer industries, but has specialised in a few, rather than covered the whole field. In primary production the Dominions have responded in some degree to the rise in the demand for dairy products and fruit, but not as far as Denmark and California respectively have done. In Great Britain, what increase in manufacturing has taken place has occurred in the newer industries. There is revealed, therefore, a natural field of specialisation within the Empire, although, as everybody knows, the distribution of industries and the conditions of production are very imperfect, and these imperfections contribute in no small measure to the present depressed state of producers and traders. An organised scheme of migration of labour and capital to start new industries and to extend old ones overseas would go a long way towards remedying these defects.

In the Dominions there has been over-production of certain commodities, particularly wheat, and certain manufacturing industries have been given too generous assistance by tariffs and bounties and are carried on at

a high cost of production which constitutes a burden on the primary industries. Consequently the enormous potentialities of certain branches of farming, and particularly the intensive use of land for dairy farming and mixed wheat and sheep farming, have been neglected or made difficult of realisation. In Great Britain, on the other hand, we see our heavy and staple industries declining, over-capitalised, and slow to adjust to changes in demand, leading to a growing burden of unemployment. Conditions of life are cramped both literally and figuratively; space and fresh air become every day more difficult to find through the spread of urbanisation and suburbanisation of the countryside—the transference of industries from the north, leaving these areas as derelict factory dumps, has meant doubling the area of country defaced by factories and urban dwellings—and the ever-present fear of unemployment, and lack of opportunity for the young has created a general atmosphere of ‘tightness’ all round, inimical to the enjoyment of a healthy and contented life.

It may be that from the strictly economic standpoint it cannot be maintained either that England is over-populated or that the Dominions are under-populated. But on grounds of human welfare it is arguable that the transference of a steady stream of people from Great Britain to overseas countries would add to the general well-being. Emigration in the future to be successful must be very carefully organised at both ends, and, moreover, organised in a manner appropriate to the conditions of the present and the future, not of the past. The old pioneering days are gone, when emigration meant taking new land and breaking it in as a lone settler. The trend of agricultural development is defi-

nately in the direction of more intensive cultivation of land already brought into cultivation, and farming to-day is as much a capitalist enterprise as manufacturing. Under modern conditions the immigrant farmer requires various kinds of machinery, power installation, water supply, fencing, etc., all of which necessitates a large initial capital outlay. A great waste of the country's resources and much misery is involved if, after settlement of immigrants on the land, it is found either that the market goes against them or that they cannot carry on through not having enough capital at the outset.

A further factor is that, in the future, agriculture will not offer the same opportunities for the employment of labour as in the past. The secular trend is against agriculture. At the time when Malthus wrote, it required about 80 per cent. of the population of a country to raise its foodstuffs. The figure for advanced countries to-day is in the neighbourhood of 20 per cent. The application of scientific knowledge to agriculture, in the form of mechanical devices, soil fertilisers, scientific nutrition and breeding of plants and animals, is constantly reducing the numbers of persons required to produce the world's food. The continuance of this process means that a greater proportion of the population will be required to work in factories to make the machines, plant, and fertilisers, etc., for the farmer and a smaller proportion actually to work on the farm itself.

If, therefore, we visualise the transference of part of the population from Great Britain to overseas countries, we must investigate very carefully what are the avenues of employment in which there is likely to be real expansion. There will be two main avenues. Opportunities exist in many parts of the overseas Empire for

more people to take up the closer settlement type of farming, such as dairy production and fruit-growing, under conditions of life which would not be very different from, but much more profitable than, those obtaining in the English countryside to-day. More important still, the potentialities of the Dominions for further development of manufacturing industries are very great. The raw materials are there, and the high standard of living creates a natural nucleus of demand for every kind of manufacture.

Many regions of scanty population and rich natural resources have been, and still are being, exploited by the older and more advanced countries. But this system is bound to end sooner or later, and in the British Empire we have the opportunity of bringing about a new system by rational and controlled action. If the development of the new processing and other industries is left to the hazards of private enterprise, it will simply mean the appearance of new disturbing factors in inter-imperial economic relations, and the loss of a great opportunity to improve the distribution of population and economic activity and welfare inside the Empire. It will give rise to redundant means of production on the one hand and redundant population, through loss of occupation, on the other hand, a consummation which is not only ruinous but is simply unnecessary.

The first and most urgent need of all the overseas countries of the Empire is more people, in order to attain a population large enough to support efficient units of manufacture under modern conditions and to lighten the burden of cost of railways, interest on government loans and the like; and, secondly, capital to start new industries and extend the old ones. If the oppor-

tunity for a big drive in the direction of developing their resources and increasing their capacity to absorb people is not taken advantage of, the Dominions will undoubtedly continue to protect the industries which they have established, and the extra costs of manufacture under artificial conditions will in turn be passed on to the primary producers, thus reducing the rate of increase of wealth and immigration. Inevitably when demand is restricted in the Dominions, British industry also suffers. This is, broadly speaking, the situation in which we find ourselves to-day, and it is likely to continue unless we carry out a bold scheme of development. For under conditions of piecemeal and haphazard restrictions on private enterprise and international trade, and arbitrary government assistance to individual industries, the new capital available for investment does not find its way into those industries whose development improves general economic conditions permanently, but is misdirected into unprofitable ventures and often is completely lost through speculation and large-scale fraud of financiers like Kreuger, Hatry, and others. The lack of control in our investment policy in the past teems with losses due to this cause.

In short, the migration of people must be accompanied by the migration also of capital and industries, with co-operation between governments, particularly in such matters as transport, tariff modifications, housing, and, of course, national investment policies. Hitherto we have been too slow to organise on a large scale in this country, but organisation is necessary for successful migration and an improved distribution of industries. The United Kingdom possesses unexampled resources in capital, technical knowledge, and skilled workers which

are not being used to their full capacity, while overseas there exist all the resources of power, minerals, and other raw materials necessary for the creation and extension of secondary industries. If these resources could be brought together by intelligent survey of markets and rational mobilisation of capital and labour, it would go far towards placing the economic structure of the Empire on a sounder basis than at present. It is by aiming at a general sense of security, the fullest and most satisfying use of man's abilities, and the health and prospect of the family, that the economic organisation of our Commonwealth can maximise human welfare, rather than by concentrating upon the greatest possible output of goods and services regardless of the inequalities of its distribution and of the unequal efforts and sacrifices involved.

What has been said in this and the preceding chapters has put the problem of migration in its proper perspective, both in relation to world conditions and to inter-imperial relations generally. It is not a problem which concerns this country alone, or even primarily. It is one with which the welfare of the whole Empire is bound up. It will be solved *pari passu* with the solution of the great problem of the development and integration of the whole British Empire into one Commonwealth resting on the free and rational co-operation of all its members in economic as well as in political matters. Let us therefore cease to think of migration within the British Empire as an activity devoted to temporary or limited objectives, as a relief to unemployment in the United Kingdom, as one of the items in an economic deal between the mother-country and one of the Dominions, and so on. The fundamental condition

precedent to the renewal and continuance of migration within the British Empire is the strengthening of the economic equipment of the young British countries, and the development of their economic life, and therewith their capacity to absorb immigrants. Good-will, sentiment, carefully planned and lavishly financed schemes of emigration, and anything else we care to mention will all be of no avail if this one all-important condition is not satisfied. The rise in value of Canada's export trade by a million pounds may easily mean work and homes for two thousand British men and women. In effect, we financed the emigration of millions of our best citizens to the United States during the nineteenth century, and we can finance the economic and social development of the overseas British countries during the twentieth century if we will do so. The governing conditions of action directed towards this end has been the theme of the four chapters which precede this.

In the next chapter we shall turn to another subject, one of the imponderables which may yet outweigh all the other factors in our problem, namely, the question of intellectual co-operation inside the British Empire.

## CHAPTER X

### THE EXPANDING COMMONWEALTH

(ix)

#### *Intellectual Co-operation inside the Empire*

THE preceding chapters of this book show how very earnestly problems of political and economic co-operation inside the Empire are engaging the attention of the statesmen and people of its many countries. Another set of problems, those which relate to intellectual co-operation, are now thrusting themselves upon us. There are good reasons for believing that these problems are the really fundamental ones. We have seen that the British Commonwealth of Nations to-day is, in the last analysis, a moral conception, an ideal, owing its continued existence to the free and conscious will of its people that it shall continue to exist. The guiding spirit and the chief strength of the whole Empire resides in that part of it which we call the Commonwealth, and the Commonwealth owes its creation and existence primarily to the dispersion of the British people, homogeneous in tradition, culture, and sentiment, throughout the world, and secondly to the mutual tolerance between these people and people from the neighbouring and kindred countries of France and Holland already established in Canada and South Africa. It is a happy and fortunate circumstance that the great British



Dominions grew up during the nineteenth century, when transport was becoming increasingly cheap and easy, and yet before the latest and most powerful means of communication, namely, broadcasting and the films, came into existence; for this meant that all the Dominions except Canada were separated from physical contact with foreign peoples and cultures by great ocean spaces. This in turn meant that in the field of cultural influence Great Britain was supreme, and even in Canada the steady inflow of British settlers and the growing nation's stern spiritual and physical struggle to keep her national integrity against the great power to the south worked effectively to keep her British in all essentials.

But now conditions are different. The Dominions are fully sovereign nation-states, rapidly developing, and establishing contacts of all sorts all over the world. Their individualities will develop along their own lines and they will have their own distinctive cultures. Moreover, the two most powerful agencies of mass intellectual suggestion—broadcasting and the films—are now very fully developed, and are universal in their operation. Anybody who has listened to American programmes in Canada will realise the tremendous power of broadcasting and its bearing on the great problems which we have been discussing in this book. In the last chapter we gave reasons for believing that, at any rate, the greater part of the future immigration into British countries could be supplied from Great Britain. It is possible, therefore, for government policy in the overseas British countries to ensure the preponderantly British character of their population. But this is not enough. However much the means of personal communication may be improved, however completely

science may annihilate time and space, the British Dominions will still remain separate nations, growing and developing along individual lines. It is essential for the survival and expansion of the British Commonwealth of Nations that they shall not grow apart from each other and from the Mother-Country.

The solution of all the problems which we have hitherto discussed, the great problem itself of the integration of the British countries all over the world into the Commonwealth, equipped with its own machinery of political and economic institutions, with its own Commonwealth law and policy and spirit, depends on the maintenance and strengthening of a common outlook on life, of a common set of spiritual values and on the growth of a common ideal of what constitutes the 'good life,' among the peoples of the British Empire. There should be no mistake about what is meant by these words. What is being suggested here is not the imposition of the views, the culture, the values, and the ideals of the people of the United Kingdom on the rest of the Commonwealth and Empire. What is meant is that throughout the Empire policy should be devoted to ensuring the conditions in which all its peoples can contribute, according to their quality and capacity, to the intellectual and spiritual life of the whole society.

The essence of the analysis of the true character of the British Empire which has been attempted in this book and the real justification of all the arguments that have been used for its more effective organisation is summed up in the words, 'The destiny of the British Empire is that it shall become a living, working model of the world Commonwealth of the future.' It is impossible to think of any nobler objective than this, and in order

that we may realise this destiny we must sedulously cultivate the idea of a common purpose and a common destiny. Particularly to the younger generation there should be an irresistible attraction in the working out of such a purpose. It is a great co-operative adventure, and its success will be in peril if any stand outside it. Its pursuit calls for high spiritual and mental qualities and the spread of knowledge. We must educate for the new order.

It is in the highest degree encouraging to know that these considerations were not overlooked by the Toronto Conference, and there is much significance in the fact that it was a South African who brought the whole question of intellectual co-operation within the Empire most forcibly before the Conference. His actual words deserve to be quoted:

‘There is a serious danger that the purely political aspect of Commonwealth relations may be emphasised at the expense of the more human and spiritual aspect, and in the long run this is the only aspect that counts. . . . Politics and economics taken together by no means fill the whole field, and . . . a whole set of other considerations, which may be called cultural, have to be taken into account. *And it is just exactly these cultural relations on which the only kind of unity that is now possible, or has ever been worth while having, depends.* . . . What lies before us now is a cultural struggle. Are the Dominions going to build up local self-sufficient, self-inspired cultures which owe comparatively little to other cultures elsewhere? Or are they going to acclimatise and adapt to meet local conditions the culture of Europe, and particularly that of England, so that this remains unchanged in all essentials, however much the particular form of its expression may

alter? Or (a much more formidable possibility) whilst retaining the outward form and the political machinery of a British Commonwealth, are they going to establish in their own areas a culture which owes all its inspiration to the United States of America?

'Personal contacts and the fostering of common beliefs, traditions and practices are the only forces that in the long run can counteract the effect of the thousands of miles of salt water which Burke pointed to as the *causa causans* of the regrettable incident of 1783.'

Such is the importance and such the scope of the subject which we are now discussing and we may now consider what practical lines of conduct are open to us in our attempts to solve the problems which it presents. Bearing in mind what has been said already in this book, and the ideal of inter-imperial relations which it holds up, there will be nothing liable to misconception in the statement that, as things are at present, it is the United Kingdom which must be the prime mover in any activities which we undertake in this matter.

There can be little doubt that one of the best and most immediately available ways of beginning our task is to organise and endow somebody for the comprehensive study of British imperial affairs in general and to co-ordinate this body with similar bodies established in other countries of the Empire. The part to be played by the British Empire in world affairs is so great, its survival and development along the lines already indicated in this book are matters of such vital concern to the future of mankind, that it becomes an imperative duty, imposed on statesmen and teachers all over the Empire, to ensure the increase of the study and the spread of the knowledge of our great society amongst its own peoples,

on whom its fate depends. Great Britain is, naturally, the chief centre in which to carry on the work that we now have in mind.

Apart from its being the political centre of gravity of the whole Empire, it is here that we have the great bulk of the records and other materials on which students will have to work, and it is here that the life and affairs of the Empire mingle most directly with the main stream of world activity and development. Already a good deal of entirely admirable work on different aspects of the life and activities of the British Empire is being carried on in our Universities and elsewhere in this country. To mention only a very few examples, which come readily to the mind, we have at Oxford and in London vigorous and valuable Schools of Imperial History, whilst in London also Professor Malinowski's school of functional anthropology is laying down the foundations of a real science of colonial administration. The School of Oriental Studies and the Institute of Education are performing invaluable services in their own fields. A number of learned societies and organisations of public and business men, some of which devote themselves specifically to the study of British imperial problems, supplement the work of the Universities and other educational institutions. The increasingly valuable work of the different government departments and official bodies of various kinds must not be forgotten in this connection. In addition to such outstanding examples as the Agricultural Bureaux, we have a constant stream of Blue Books, reports of commissions and committees, and of other kinds of printed material of the very highest value. Yet in spite of all this, the need for an organised body of studies of the British Empire as a whole, and in all its aspects, *sub*

*specie aeternitatis*, thrusts itself increasingly on our attention. Indeed, it is the work of all the above-mentioned institutions or authorities which brings the need home so clearly to us. There was a time when we could, and did, think quite simply and even naïvely about the problems of our Empire. It seemed so natural that our daughter countries should always remain devoted in loyalty to the Mother-Country, and that we should go on governing the dependent parts of the Empire by the easy exercise of autocratic authority. Also at one time we thought that we could keep our economic and political and constitutional relations in watertight-compartments. We know differently now. The last twenty years have completely transformed all the bases of all our problems, and the men and women of the British Empire are now called upon to undertake studies of an entirely new type, the character of which can best be explained by referring to studies of the contemporary life of any given individual State, say, Great Britain. The separate aspects of the material and moral activities of the country are worked upon by specialists who, from time to time, give the results of their studies to the world; but nobody reading one of these studies would imagine for a moment that its subject-matter comprised the whole life of this country. Yet from current discussions of the Empire we might easily imagine that inter-imperial economic relations, for example, were what the Empire existed for. There is serious danger in this unphilosophic view, and at this point we come into touch again with one of the topics discussed in the introduction to this book. In the case of a nation-state, we know that above and beyond economic, political, diplomatic, and other activities, there is the nation, to the life of which all these activities

are contributory and of which they are the expression. From the days of Plato onwards many of the subtlest intellects of the human race have striven to understand what the State is in essence, what it exists for, and what are the final sanctions for all that it does. Together, they have built up the metaphysical theory of the State. Now, just as we have a philosophy of the State, so we must have a philosophy of the British Commonwealth. We must study all its processes, so that we may know in the first place exactly what sort of a thing this world-wide association of ours is. We must learn what have been the real forces at work in the past, creating and maintaining it, and what forces are at work now, and where they are taking us. History, economics, politics, will all be the raw materials on which we shall work, and much labour, properly co-ordinated and directed, will be necessary before the philosophers of the future will be in a position to evolve a metaphysical theory for the British Empire and Commonwealth, as valid and as satisfactory as any which has been evolved for the nation-state.

The emphasis here is on the words 'properly co-ordinated and directed.' All over the Empire, indeed, all over the world, studies in the economics, history, politics and other partial aspects of the Empire are being carried on, and, certainly, a vast amount of information is being accumulated. But, all this is merely raw material for the more fundamental and important studies which have to be undertaken into the characteristics, the meaning and the objectives of the Empire as a whole. This can best be done by the establishment for the purpose of an organised body of studies, in the United Kingdom—a body which in due time would

have associated with it similar bodies in suitable centres in other principal parts of the Empire. The nucleus of such a body was to be seen until last year in the Chair of Imperial Economic Relations in the London School of Economics. This Chair, set up for five years by the Empire Marketing Board, came to an end with the latter organisation. Nevertheless, within the five years of its existence it had collected a body of students from every one of the Dominions and from India, who in that short time had begun to produce important work on different aspects of the British Empire. By the terms of the Empire Marketing Board's grant, the chief bias of the studies was economic, but it was possible to undertake some constitutional, demographical, political, and economic-historical studies. The experience of the five years made it quite clear, first that the Chair of Imperial Economic Relations supplied a real need, since students of excellent quality came from all over the Empire, and indeed also from no fewer than fourteen foreign countries, to study imperial problems; and, secondly, that the co-ordination and direction of such varied studies by one authority literally magnified by many times the value of each individual piece of work. Further, the students went back to their own countries to continue their personal researches, and to train and inspire their pupils to do similar work, since they were practically all university teachers.

This development, so rich in promise, has been stopped, like the Empire Marketing Board itself, but every month that passes makes its revival all the more urgent. Further, the experience gained through the Chair of Imperial Economic Relations has shown how very fruitful and valuable a work would be the establish-



ment of similar Chairs in the major Dominions. If this were done, students would be able to assemble in each Dominion from every one of the other British countries, just as they do to-day in Great Britain. The diffusion of personal knowledge of the affairs of the great British countries, and the study of the life of the whole Commonwealth, would be mightily strengthened and enlivened by these means. But even this is not all. It is highly to be desired that provision for the co-ordinated Empire studies which we have in mind should not end with the revival of the London University Chair and the establishment of sister Chairs elsewhere. Some educational institution should do for the British Empire what the Paris *Ecole Libre des Sciences Politiques* does for French colonial studies, and for entrants to the various colonial services. In Brussels the *Ecole des Sciences Politiques et Sociales* and in Leyden the University both give more comprehensive training in studies relating to the respective empires of these two countries than does any one institution in England. We need, in fact, an Institute of Imperial Studies, with departments and teachers appropriate to the range and variety of our Empire. Enough has been said to show that the organisation of a body of imperial studies would not be a matter of merely academic interest. On the contrary, it would be a new creative influence added to the others which are at work transforming our Empire into a world-wide Commonwealth.

There is another way in which higher studies, and particularly university studies, in the different countries of the Empire can be made to serve our purpose. It ought to be made possible for students from all over the Empire to carry out, or at any rate complete, their

studies in the particular university—wherever it may be in the Empire—where the study of the subject in which they are interested is most advanced. It might be possible to go even further than this and make at least one university in each Empire country quite definitely the best centre for some particular branch of study, so that we may have a flow of students between the different parts of the Empire. Let the laboratories be built and the teachers concentrated wherever they are needed. Photograph or otherwise duplicate the stores of published or manuscript materials available in the various countries, and send them to the various Empire centres. Action such as this would be of immense value in preserving homogeneity of culture and sentiment and in advancing knowledge. The degrees and diplomas of the Empire centres would frank their holders anywhere in the King's domains. Further, Empire-wide interest in and responsibility for the solution of imperial scientific and developmental problems would mean unquestionably a broadening and liberalising of opinion; would set more powerfully progressive forces at work; would harmonise views which at present so often tend to conflict, and would bring us nearer to the realisation of that common purpose and those common interests which we now have in mind. The fringes of this suggestion were reached by one of the Canadian data papers at the Toronto Conference. The writer was criticising the administration of the Imperial Agricultural Bureaux, and in the course of his criticism he used the following words:

‘It seems that in the matter of agricultural research a good bit of its effectiveness depends upon its being done close to the environment where the problem arises. Thus

it seems rather odd that, with Canada and Australia heavy exporters of wheat, the headquarters of the study of plants genetics should be at Cambridge. In the same way such problems as agricultural parasitology and soil science, etc., can be most effectively done on the spot. Moreover, if money is to be allocated to research, Canada and other parts of the Commonwealth have established at considerable cost their own institutions of research which need all the support they can get. There is no reason why there should not be the liveliest co-operation by conferences between research institutions located in Great Britain and those located in the Dominions. Overlapping of studies could be avoided and co-operative schemes of research could be worked out. But this is a far different programme from centralised Commonwealth research at stations located in the United Kingdom, and paid for in good part by the Dominions.'

The Canadian writer's argument is perfectly valid, but it would surely be better to arrange for the co-operation which we all desire along the lines suggested in this chapter rather than by way of the somewhat national isolationist policy which he advocates. Happily, co-operation in education is already beginning, particularly at the bottom of the ladder. There is already a very valuable system of interchange of elementary school teachers between this country and certain Dominions, and this is a system which can and should be extended. The system is worked by an unofficial body, The League of the Empire, with the approval of the Board of Education. In 1932, fifty-two teachers went to the Dominions under the auspices of The League of the Empire. In 1933, sixty-one went, and in 1934, one hundred and one went from the United Kingdom, whilst an equal number

came from overseas to this country. Since 1919 no fewer than 2358 teachers have been exchanged between the United Kingdom and the other Empire countries. These figures, whilst not, perhaps, very large, are far from negligible, and, what is more important, they are only a beginning. There are, of course, certain difficulties in the shape of comparable and reciprocal professional qualifications, but there is no reason why the different Empire countries should not begin to establish generally accepted standards of qualifications common to them all. It is a matter of great satisfaction that the Governing Body of Felsted School has recently appointed as head master a gentleman who was for some years head master of one of the great Australian schools. A few years ago it was practically incumbent on every applicant for a teaching post to state his war service. In future it is to be hoped that the governing bodies of schools all over the British world will require applicants for appointments to state if they have had any service in other parts of the British Empire.

Before we leave this very important subject of education, there is one other point which deserves mention. Every country in the British Commonwealth has an educational system, of which it has every right to be proud, and everywhere the system is continually improving in quality. Nevertheless, the overseas countries are continually demanding first-class scholars from the Mother-Country. Hitherto there has undoubtedly been some reluctance on the part of the very best products of the home educational system to go to other parts of the Commonwealth, because outside the United Kingdom facilities for research in many subjects are, up to the present time, lacking. Action on the lines sketched out

above would go a long way towards putting right this difficulty. But there are still one or two other very fruitful lines of action open to us. In the first place, we can and should re-duplicate in each British Dominion the great libraries of the Mother-Country, even their peculiar, unique treasures. Subject, of course, to the consent of the authorities concerned, why should we not have the contents of the British Museum, Bodleian and other libraries copied for the Dominions? This, of course, would entail vast expenditure and labour. But the expenditure could be met by subscriptions—appropriate in amount to the body concerned—from every intellectual and social organisation within the Commonwealth. From the half-crown of the Women's Institute of some little hamlet (a penny per member) to the £100 of a wealthy London society, there would be all sorts of gradations of subscriptions from the many thousand bodies concerned, and the aggregate would be immense. Every elementary school child in the Commonwealth might give a penny, every child in a secondary school might give threepence, and every University student a shilling. Again, every church of every religious denomination could give one Sunday's collection. There would thus be no difficulty, except, of course, that of sheer organisation, which would certainly be great, in raising the immense sum required, and, during the progress of the work, discoveries and inventions of immense technical, intellectual, and even commercial value would be made. Why should not this be done? Again, in this connection, why should not Parliament amend our Copyright Act by the addition of a single provision giving to one library in each Dominion the benefit of that part of the Act which makes certain

libraries in the United Kingdom the recipients of copies of everything published in this country? Such an amendment need not occupy Parliament for so long as a single day, and its value to the overseas British countries would be beyond all computation. Such undertakings as those suggested here would give to the young countries possession of intellectual equipment which would not only attract scholars of the desired calibre from the Mother-Country, but would permanently enrich their whole intellectual life, with consequent repercussions on the life of the whole Commonwealth.

It is possible that the most powerful of all our instruments for supporting and strengthening the unity of spirit and purpose inside the Empire will be found in broadcasting. In recent years every citizen of the Empire has had unforgettable personal experience of the vast potentialities of broadcasting. The King's talks on Christmas Day, and on the Jubilee Day of this year, must be ranked as amongst the strongest cohesive forces in the Empire to-day. This is not the language of mere adulation. It is the bare truth, and in this one example we can see something of the possibilities of this still growing and improving instrument. Further, it is now quite certain that sooner or later it is going to be reinforced by television. When this new invention has been perfected—as it will be now that it has become the subject of commercial investment and exploitation—it will be possible to bring the essence of the daily life of each Empire country before the eyes as well as the ears of the people of the sister countries. We can imagine what this might mean to the Empire from the examples which can be taken from the Motherland alone. The whole Empire will be able to watch the classic horse-races and

sporting contests of all sorts, the things that make up the common man's England, and exert such a great influence in other parts of the world, particularly in the Empire and the rest of the English-speaking world. And broadcasting could be used in education all over the Empire with most valuable results. The outstanding teachers in particular branches of learning might nowadays lecture to students in every University of the Empire, as they do to their own classes in Oxford, Edinburgh, Montreal, Cape Town, or wherever they may be.

Empire broadcasting is at present only in its first stages, but it must be admitted that these are rich in promise and, indeed, in actual achievement. The Empire service has been in operation only since December 1932, but in the short time between that date and the middle of 1935 the number of hours of broadcasts has grown from ten to sixteen in every twenty-four hours. The Empire is divided into six regions for broadcasting purposes, and there is a separate transmission for each region sent out so as to serve the countries concerned at some suitable hour in the evening according to its own local time. In this development, one of the most noteworthy features so far is the introduction of a news service for the Empire. In this there are possibilities of the highest value. Another way in which the Empire broadcasting has already begun to serve some of the purposes visualised in this chapter is by the broadcasting of important programmes from the Dominions and Colonies to the other countries of the Empire. This is a feature which can hardly fail to grow and become more popular, and the excellent American talks, with which the people of the United Kingdom are by now familiar,

furnish another idea for a possible development of the future in Empire broadcasting.

It is a moot point which is the more powerful at the present moment from the point of view of mass-education and mass suggestion—broadcasting or the film. In the end there can be very little doubt that the decision will go in favour of broadcasting joined to television. Nevertheless, the power of the film is second only to that of broadcasting and it is of great importance to us. Already it is reasonable to assume that the complete dominance of the American film is over and that it is bound to lose ground continuously to other films, particularly to those of the British Empire. The increasing importance of the topical, or news, film is bound to work in favour of Great Britain, since London is the centre of the world. Happily, too, the British producers have cast off their former slavish adulation of Hollywood and are producing films which are distinctively British in character and content. Anybody who cares to reflect for a few moments on the effect of American films on ideas, as well as on speech, during the past two decades, will realise the truly vital importance of the development of the British film industry. Governments all over the Commonwealth have taken steps to ensure that their people have access to British films from all their sister countries, and now it is the task of producers to provide films of a quality which will make them worthy representatives of British culture and the British attitude towards life in whatever part of the Empire they are produced.

Lastly, before we leave this brief discussion of one of the fundamentals of the great problem with which this book is concerned, some mention of the newspaper press is desirable. Education, travel, broadcasting and the



films have in these days reduced to some extent the influence and importance of the Press. Nevertheless they are, and must remain, immense. It is almost impossible to imagine a greater service to the Empire than that performed by the periodical Imperial Press Conferences which are held in the different Empire countries in turn. These Conferences bring together many of those who play a leading part in their own lands in moulding opinion and moving men to action, and their results can be said without fear of contradiction to be wholly good. Freedom of the Press is one of the most precious of all our British possessions, and by inculcating the ideal of, and working towards, common high standards of intellectual integrity and quality of craftsmanship, the Imperial Press Conference is doing invaluable service to the intellectual life of the Empire and is strengthening and enriching its spirit.

It should be clearly understood that in all this discussion of intellectual co-operation inside the British Empire there is no suggestion that any of the instruments which have been mentioned should be used for 'propaganda' purposes. 'Propaganda' has come to mean suggestion, usually by ways of incomplete or even false information, designed to influence public opinion on specific issues or during a particular period of time. What we have been considering in this chapter is something entirely different. We have been discussing some of the means by which it may be possible to ensure that the varied and widely scattered peoples of the British Commonwealth and Empire shall keep and cherish in unity with each other common ideals and purposes and objectives, the inner life or soul, that is, of their worldwide Commonwealth, existing or yet to be.

## CHAPTER XI

### INDIA AND THE DEPENDENT WORLD

As this chapter is being written, in the early months of 1935, every other British imperial issue is overshadowed by the Indian problem. We are not concerned with the details of the proposed reforms contained in the India Bill because these, after all, are no more than the outward signs of an inward development inside the British Empire. It is the true meaning and significance of this inner development with which we are concerned, and we have considered it at some length in an earlier chapter. We know what the success of the great Indian experiment means to us of the British world, and we have also seen what it will mean ultimately to the successful working out of that still vaster problem in which all civilised humanity must be continually more deeply engaged from now onward, namely the creation of a properly organised world society. Now we must look at India's connection with this latter problem from a new angle—one which will give a more intensive view of one of its most important factors—that is, the influence which the experience of India has for the subject races of our own and other empires all over the world, and for their rulers. This is a subject which stands out with Himalayan prominence for the careful and properly equipped student of politics whose travels take him into the Far East. But it is one which has not hitherto

received in current political writing or controversy the attention which it deserves and, indeed, requires.

First of all consider the geographical position of India as the eastern outpost of the Middle East; from Central Asia her mighty land mass thrusts for over two thousand miles towards the south, straddling one of the greatest ocean highways in all the world. On her farthest north-west she is in touch with the great Iranian Plateau, whose very name betokens the original stronghold of the Aryan race; north-east she marches with China and the Mongolian world, and she herself in population, in culture, in tradition and historic experience is of both West and East. Sometimes, along the Indian North-West Frontier, our fighting men, digging themselves in, have turned up with their entrenching tools pieces of sculpture, or hoards of coins with the imperishable stamp of Greece upon them. In Sind and the Punjab, officers of the Indian Archæological Department are now uncovering traces of a civilisation which goes back six thousand years. In the south their work has shown the age and the richness of the non-Aryan Dravidian civilisations, which resisted Aryan and Muhammadan attempts at subjugation. Pre-Aryan, Aryan, Semitic, Mongol, British and many other strong, strange elements have gone to the making of Indian culture, which, at all ages that we know of, has shown itself to be at once receptive and invincible. India's seafarers in the past adventured boldly to the east and west to Africa and to the mainland countries and islands of Asia, and some students have even seen traces of Indian influence in the islands of the South Seas. Her old religion, Buddhism, once held a great part of the Eastern world in fee, and Indo-China and Malaya and the Dutch East Indies

point to important movements of her peoples, in days before records of them were kept. Such a country, in such a position, could not but have a profound influence over her own part of the world. Throughout the centuries this vital contact between the peoples of India and their neighbours, near and far, has never ceased. Indian bankers, traders, labourers, professional men, soldiers, and policemen, are in Malaya, Fiji, Mauritius, the Dutch East Indies, China, Indo-China, Siam, Burma, Central Asia, Afghanistan, the countries around the Persian Gulf, East, Central and South Africa, and in still more distant lands and islands away in the Caribbean Sea and Central America. In places like East Africa, Ceylon, Malaya, and Burma, where large numbers of Indians have made their home, it is inevitable that their influence should be strong and direct. It is most clearly seen in Ceylon, and after that in Burma. In politics, these countries are no more than off-shoots of India—different though their people may be in race and tradition. This is the outstanding feature of the political development of these two countries during the present century. Not only have the general political objectives of Indian nationalism been adopted by the most advanced sections of opinion in Ceylon and Burma, but these have even borrowed the technique and much of the nomenclature of agitation and organisation from the same source. The course of events in Ceylon, for example, and particularly the debates in the Legislative Council, since the inception of the Donoughmore Constitution, show this very clearly. Ceylon has a population of much the same size as that of Greater London, and her present constitution—which is based on that of the London County Council—appears to be a thoroughly

practical and appropriate instrument of government. But large and influential sections of political opinion in the island have never ceased to oppose it on the grounds that it is not a constitution of the British parliamentary type, and almost invariably reference is made to India. In Burma, the latter's influence is, if possible, even more directly operative. Since the conquest by the British, Burma has been a province of British India, and, indeed, is so at the present day. Naturally, therefore, she has taken part directly in the political life of her great neighbour. Indian political parties and issues have been transplanted to Burma, which was represented in the Indian Round Table Conference before the separate Burma Round Table Conference was formed. The minimum demands made by Burmese representatives at both the greater and the smaller conferences were that the constitution of their country should be no whit less advanced than that of India. Also, there is not the slightest reason to doubt that the form of the Burmese constitution will follow the Indian pattern as closely as is possible in the differing circumstances of the two countries. Moreover, it is from India that Burma and Ceylon draw a good deal of the vital force of their political movements. Without the presence at their very gates of this great dynamo of nationalist political activity, neither Ceylon nor Burma, in all probability, would have experienced political activities or political growth of anything like the same scope or intensity as those of which they are now the subjects.

In other British countries in the East—Malaya and East Africa—we cannot expect to find either the same force or kind of influence exercised by India, as that which she exercises in Ceylon and Burma. It is true that

in both these countries there are very large numbers of Indian residents, and that India's connection with them dates from before the times of which we have any record; but apart from their greater distance from India, both Malaya and East Africa are the homes of people who are far more primitive than the great majority, at any rate, of the peoples of the other countries we have been discussing. Immediate imitation of Indian political methods, or the adoption of the ideals of Indian politicians is out of the question. But the pace of development—particularly educational and economic—is swift, and is all the time growing swifter in dependent countries to-day. It cannot be very long before even in East Africa the class of Western-educated natives begins to emerge, and this will mean inevitably the growth of a politically-minded class, and the rise of a political movement. The Indian fellow-citizens of such Africans will undoubtedly play a large part in guiding their footsteps in politics, and in shaping the movement itself. Above all, India, because of her size, her immense historic importance and the importance to the whole world of her political movement, must be the greatest source of ideals and example of technique on which they will draw. The same is to be said of Malaya, and the new scheme of federation which is now being worked out for India may prove to exercise tremendous influence in the long run over the future organisation and development of Malaya. It need not, of course, be stressed that developments such as we are now contemplating lie in the future—more or less remote—according to the kind or pace of the changes which take place in the countries concerned. But events move so fast in these days that we cannot arrange a time-table from our past experience.

Lastly, before we leave the British Empire to consider India's influence in foreign countries, let it be noted that the ideas and technique of the political and economic administration of our colonies were worked out in India.

Outside the British Empire the influence of India is seen powerfully at work in the Dutch East Indies, particularly, of course, in their most advanced and populous part, namely Java. Here, again, we get ancestral Indian strains, and a social life deeply penetrated with the ideals and traditions of ancient India. Moreover, for a time at the beginning of last century, Java was administered for the East India Company by Sir Stamford Raffles, whose revenue system and general administration were largely based on those prevailing in Bengal at that time. There has thus been a connection between India and Java in both ancient and modern times, and with the rise of nationalist movements in dependent Eastern countries in the present century, new invisible bonds have been forged between the two countries. Political movements and reforms in India and Java are strikingly parallel. Side by side with the strong executive government of the Dutch, who administer an interesting form of indirect rule which bears some traces of old Indian influence, we find the development of popular legislative bodies, as in India. The Volksraad, the central representative legislature, is almost startlingly like the Indian Legislative Assembly in constitution, scope, and behaviour. There are communal troubles in Java very like those in India, and the general course of political development in the two countries runs on parallel lines. Developments in the Volksraad have followed closely in time on similar developments in the

Indian legislatures and have been of much the same sort. Outside the legislatures the various sections of political opinion in Java have largely drawn on the Indian Congress and other parties for inspiration. There are the clearest possible traces of the direct and growing influence of India on Javanese political and social developments, and through Java, India will influence other parts of the Dutch East Indies and beyond them.

It is not so easy to assess the influence of India on Indo-China. French colonial policy does not visualise the development of parliamentary institutions in the dependent countries of the French Empire, and Indo-China is not so near the main stream of the world's life and news as the Dutch East Indies. Nevertheless, it is already certain that the French are going to be faced in that part of their Empire, sooner or later, with the same sort of problem as we have to face in India, Burma, and elsewhere in the East, and as the Dutch have in Java. It was in Indo-China that the old French colonial policy of assimilation most obviously and completely broke down. The Annamese were themselves a conquering imperial people, steadily extending their sway over the other divisions of what is now French Indo-China, when the French appeared. Their expansionist movement was, to use the convenient economic expression, 'frozen' by the intervention of the French, but there is no reason to believe that it was killed. It is in abeyance. The modern Annamese civilisation is entirely Chinese, and Annam is a south-westerly extension of China. The young emperor of Annam, who recently returned to his throne after eleven years' education in France, has already shown by his political innovations that he does not mean to stand still, and it can hardly be doubted



that he will become the focus of political development in his country. Indo-China will, therefore, be subjected to potent influences from both China and India. As regards the latter country, it must be remembered that the ties, both ancient and foreign, between India and Indo-China are numerous and strong. For centuries there was a movement of population from India into the western parts of Indo-China, which did not cease until after some centuries of the Christian era had elapsed, and Indian influence in religion, art and tradition—not only in Cambodia, but elsewhere—can be plainly perceived. While these lines are being written, a French archæological expedition is at work in Indo-China making discoveries which seem to show that the first Annamese civilisation was Indian in origin. Old channels can be re-opened, and it is unreasonable to doubt that India, the greatest and most important of all the dependent countries in the world, will be the exemplar for Indo-China, as she is for the other countries—both British and foreign—in that corner of the world.

A striking and important development of the past two decades—one which has the deepest interest for us in connection with our present study—is the replacement of Japan by India as a source of ideals and the arbiter of political action for many of the peoples and countries of Asia. The Japanese victory over Russia in the early years of this century worked powerfully on the minds of the other Asiatic peoples, most of whom are subject to European control to a greater or lesser degree. Among other things, it strongly influenced the first important nationalist movement in India, namely that which arose out of Lord Curzon's partition of Bengal; and until recent years Japan was, for Indian nationalists,

an example and an inspiration. But this is all changed now. The rise of Japan as an imperial power, and in particular her policy towards China, has sent a wave of distrust and fear throughout all the dependent peoples of the East. The attitude of educated Indian youth to-day towards Japan is in the highest degree instructive, and the lesson which it teaches should be taken to heart by serious students of politics all over the world. Young India is ardently nationalist. In this it does not differ from the generation which preceded it, but its more thoughtful members see with increasing clearness, as times goes on, that far and away the best guarantee that India could have of the conditions necessary for the peaceful development of her national life is membership of the great British League of Nations to which she now belongs. To-day, strange as it may sound to those whose knowledge of Indian affairs is confined to rumour and to scare headlines, there is less desire for complete independence for India than there was twenty years ago. The desire for full Dominion status is, indeed, immeasurably greater, but from all that has been said in this book it is surely obvious that this is a sign of vitality, and not of disruption or decay in the British Commonwealth or Empire.

It is a far cry from India to Samoa, but these distant South Sea islands provide us with one of the most striking of all our illustrations of India's political influence in the dependent world to-day. Mr. Felix Keesing's book on Modern Samoa contains the best account hitherto published of the strange 'Mau' movement in Samoa, and the author shows how the leaders of the movement have looked to the Indian nationalist movement for both inspiration and actual tactics. Can it be doubted, there-

fore, that India has an immensely important part to play in the modern world, and that in and through her the spirit of the whole British Commonwealth finds expression?

The importance to the whole world of India's widespread influence thus becomes apparent. It is true that her influence will inspire and guide nationalist movements among dependent peoples. These movements may—indeed, almost certainly will—foment race hatred for more or less extended periods, and prove themselves disturbing elements inside the various empires, and even in international relations. But as long as the Indian movement is a movement for Dominion status within the British Empire—that is to say, a movement having as its objective a position for India in which she can co-operate fully and freely with Great Britain and her sister British nations—her influence will make ultimately for reconciliation between East and West, and between white and coloured peoples. The importance of this in the process of properly organising the world is clear enough, and thus in India we see yet another channel along which the ideals and influence of the British Empire are at work, shaping the world-state of the future.

But the influence of India on the dependent part of the world must be looked at from yet another angle. For the most part, these dependent countries are mere geographical expressions. Their inhabitants fall into separate and usually hostile races or communities. There is no social homogeneity in them, no common tradition. In a word, they are not nations, though they may be potential nations. India herself is one of the outstanding examples of this condition.

The relations between her different peoples and communities, and in particular between the two great communities of Hindu and Muslim are too well known to call for any discussion here. In India we have, in Lord Durham's famous words, 'Two nations warring within the bosom of a single state,' and the one indispensable condition of Indian nationhood is that India with her rival elements shall be comprised within some greater political system to which all the antagonistic elements can own allegiance and in which they can work out their political and moral ideals. This is a subject which will amply repay the labour of close and sustained thinking, for the areas and peoples now comprised within the region to which we give this generic title of India are not the same as those which would have been included in the India of any past age. New peripheral areas and races now form part of India, and they do so in more than the geographical sense. The new India, which is advancing to Dominion status—that is to full national stature within the British Empire—is an India which must be one spiritual as well as one political entity. If it is to be a Dominion, it must be essentially a democratic State, no matter what the particular form of its government may be. All the peoples of India, therefore, must be absorbed by, and share in, its spiritual and political life. This in turn can only be accomplished if the budding Indian nation and democracy can be protected during the critical period of growth, and can remain in intimate contact with the original fountain of democratic ideals and institutions in Great Britain. To make one spiritual, national entity out of the bundle of territories and the varied races and communities of which the geographical India is composed, is obviously

going to be no quick or easy task. All India's experience in the past, and in the present, shows this. But the ideal is such a noble one that it can surely not fail to call to its service all that is best in the character of Indians—no matter what their creed or race may be. This stupendous process of the creation of a nation of three hundred and fifty million souls must, as time goes on, exercise an ever-increasing influence on the ideals and the minds of other peoples and countries in a similar situation. It must be remembered that this is not the only example of the mighty unifying force of membership of the British Commonwealth. Canada and South Africa are examples of the same process, and Great Britain herself is the result of the union of three separate and, at one time, warring countries. Here, then, from this special point of view, we see again the services which the British Empire not only can render, but is rendering, to the cause of human solidarity, and ultimately of the organised world-state of the future.

This question of the union of the different races and communities of India into one homogeneous nation has another most important bearing on the question which is one of the main themes of this book, namely, what are the true foundations of an organised world-state? This new bearing is brought to our notice by a further consideration of the Hindu-Muhammadan problem in India. At this point we reach a very difficult, but a very interesting and vitally important question, one which involves an immense number of people, from Northern Africa to the confines of China. This is the question of the political future of the various Muhammadan peoples. One of the most notable, and yet least remarked, of all the developments in world politics within the last two or

three decades, is the political renaissance of Islam. Twenty-five years ago it seemed as though the last traces of political independence were about to disappear from the Muhammadan world. Turkey appeared to be moribund and ripe for division between one or more of the great European powers. Persia was recognised as falling within the spheres of influence of Great Britain and Russia, and, in 1907, the spheres of these two powers in Persia were actually delimited. Afghanistan was a weak satellite of India, and also the object of the covetous regard of Russia. She was a pawn in the game of these two giants. Egypt was a British Protectorate, and seemed destined to remain in that condition indefinitely. Iraq, the Hedjaz, Palestine, and Syria, were units of the Turkish Empire, held in varying degrees of effective control. Ibn Saud was still in the role of David, challenging a Turkish Goliath, and some of the little emirates which now form part of Saudi Arabia still maintained a chequered independence, and the vision of a united Arab kingdom could hardly be said to exist, except in the mind of Ibn Saud himself. But now a marvellous transformation has taken place. From East to West—from India to Northern Africa—we see new or renascent Muhammadan States, all of them the centre of political ideals and ambitions, and some of them the seats of reviving Islamic culture. In a word, Islam is on the march again, and it can hardly be doubted that Islamic countries will play an increasingly important part in world affairs. No serious attention need be paid to any talk of Pan-Islamism, the bogey which at one time shared the stage with the Yellow Peril. A federation—even an alliance—of all or of any important number of Islamic countries is completely out of the question. Yet

there are strong invisible bonds of sympathy which link all Muhammadan communities throughout the world. There is no need to give any large number of examples of this. Two from inside the British Empire will suffice. The wave of agitation which swept India between 1919 and 1923-24 drew much of its strength, and perhaps most of its potential danger, from the organised opposition of the Indian Muhammadans to the terms of the Turkish Peace Treaty. Still later we have seen British policy in Palestine watched with anxious—even jealous—interest in the same quarter. Any suspicion that the British Government are favouring Jews at the expense of Arabs immediately gives rise to important movements of opinion among the Indian Muhammadans.

But it is not only in the British Empire that we find a Muhammadan problem. The French also have a similar problem in North Africa, which, to all appearances, is growing more difficult and important every year. Certain outbreaks, particularly in Algeria, drew a good deal of attention to this problem in the early months of 1935. In some quarters, attempts have been made to explain away Muhammadan unrest in French North Africa by ascribing it to purely economic causes. These, however, are only a partial explanation of the trouble which exists. Its deeper causes are to be looked for in certain political and cultural aspirations of the Muhammadans in French North Africa. Muhammadan religious law, which governs aspects of the life and activities of Muhammadans which are left in other religions to secular codes, makes it difficult or impossible for Muhammadans in the French Empire to become full French citizens—in the technical political connotation of these words. This obstacle to equality with some

other classes of French subjects is becoming increasingly burdensome, and would in any case have led to political agitation of a greater or lesser intensity, but in these days this cause of unrest is strongly fortified by the currents of feeling and opinion sweeping through the Muhammadan world, and arising out of the developments already mentioned. Nor is the trouble inside the French Empire confined to North Africa. It is already beginning to show itself in Senegal, in West Africa. Indeed, influences from the great Muhammadan world penetrate to the farthest places in which Muhammadans live and where there are ancient traditions or actual survivals of Muhammadan rule, to Northern Nigeria and French West Africa, no less than to Algeria and Arabia. Western education is affecting the subject Muhammadans of other empires, as well as of our own, and wherever nascent political ideals are cherished by such people, they will be able to draw on the fountain-head of its long tradition and culture, and be invigorated by the developments now proceeding in sovereign independent Muhammadan countries elsewhere.

It is easy, therefore, to see the bearing of all this on what has been described as the main theme of this book, namely the search for the true foundations of an organised world-state. The Islamic renaissance now in progress across the whole middle east and north of Africa can be a powerfully disruptive factor in international relations and the world order of the future. Although, as we have seen, there is no substance in the talk of Pan-Islamism, there is very material substance in some of the plans, or at any rate possibilities, of the growth of greater Muhammadan States by the union of neighbouring Muhammadan peoples; and further, there



is the certainty that such growth will be partly at the expense of non-Muhammadan peoples. One example of the international disorganisation which would be produced by any such development as this would be provided by the amalgamation of Afghanistan and the Muhammadans of North-western India into one State. Such a project as this may be a chimera, but it is discussed seriously enough by some Muhammadans of standing in both the countries concerned. There are enthusiasts who foresee the rise of a great Muhammadan kingdom, stretching from the eastern borders of Persia to Calcutta, and including Kashmir and some of the khanates, or little kingdoms, of Turkestan and Central Asia. It is easy enough to point out the tremendous dislocation which would ensue from the realisation of such dreams as this and the permanent insecurity and the certainty of ultimate disaster from the inclusion in such a new State of millions of Hindus, who would form the Hindustan irredenta.

Happily there is reason to hope that the vast problem set by the future of the Muhammadan peoples under foreign government is being satisfactorily worked out in India. The achievement ultimately of Dominion status for India will bring Indian Muhammadans into full and equal membership with Hindus and others of a great State, whose territories are also their own birthplace and mother-land. And within India they will also be within that wider political system, which is also evolving into one great organic society—the British Commonwealth of Nations.

Thus, from all these many sides, we see how truly important is the part which India is playing in the world of to-day and to-morrow. Further, we see her in this

capacity as a vital expression of the British Commonwealth of Nations, of which she and all the other members are far more than mere inert parts. They are themselves the Commonwealth. Their life and growth have brought it into being, and with them it grows and changes.

## CHAPTER XII

### THE DEPENDENT EMPIRE

IN an earlier chapter the dependent members of the Empire were described as not yet 'freely' associated with the others. But we saw that their lack of freedom was not an absolute and permanent distinction between them and the freely associated countries of the Commonwealth. It is a distinction which arises out of causes inherent in the life of the countries or communities concerned. No definite conditions can be laid down which must be satisfied before one of the dependent members of the Empire can become a member of the Commonwealth. All that can be said is that the collection of clans, tribes, communities, or neighbouring peoples concerned must undergo the spiritual, material and cultural developments necessary to turn them into a nation before they can become one of a Commonwealth of free nations. Let us not for a moment forget the many-sided development of which the British Empire is the subject. There is the development—some aspects of which we have been studying—of the Empire as a whole, and there is the development which is going on in each individual country inside it. In the last analysis, all these different movements are parts of the one movement towards the organisation of all the peoples of the British Empire in a great co-operative Commonwealth.

At first sight there is something wildly fantastic in the idea of a co-operative Commonwealth composed of the amazingly diverse races which live under the British flag, but it is the fantasy which is illusory, not the idea. Savagery will, sooner or later, be replaced by civilisation in even the remotest corners of the world, and the conception of the British Commonwealth of Nations which appears in this book shows in microcosm the organisation which the whole of civilisation must, in the end, assume. Admittedly, we are looking very far ahead—generations ahead, not years—in the cases of many of the dependent members of the Empire, but the rightness of our policy and actions now and in the immediate future depends on our clearly understanding the goal towards which we are moving. The systems of administration in the countries of the dependent Empire differ widely from each other in externals, and there are, even, profound differences between the degrees of responsible self-government allowed to the various countries. Malta, Ceylon, and some of the West Indies are poles apart from the rest of their fellow-members in this respect. But, whatever may be the constitutional status of any of them, they merely stand at different stages of the same journey.

A bird's-eye view of the dependent Empire shows it as falling into two broad divisions, the islands and archipelagos scattered throughout the seven seas, and the great land masses of Western, Central and Eastern Africa. It is with the second of these two divisions that we shall be chiefly concerned, for it is in the African colonies that the most vital and difficult of our colonial problems of to-day and to-morrow are to be found. Here have arisen, and will continue to arise, certain fundamental

problems of human relationship of which purely economic problems are but one part. Throughout the second half of the nineteenth century and the first two decades of the twentieth century, the relations between the Mother-Country and her daughter colonies, now the Dominions, provided our main imperial problems. For the past decade and a half the Indian problem has been in the forefront. But now, with the broad lines of India's political development safely laid, Africa's turn has come to hold the centre of our world-wide stage. The position is admirably summarised in the following extract from the Report of the Commission on 'Closer Union of the Dependencies in Eastern and Central Africa':

'In the course of the past century the dominant political problem of the Empire has been that of the relations between the Mother Country and the self-governing Dominions. A problem of perhaps equal importance in the present century will be to establish on a secure foundation the relations between the self-governing and the dependent parts of the Empire and between the white and coloured races. This problem of the Empire presents itself in a peculiarly vivid and concentrated form in Eastern and Central Africa. The central problem of Eastern and Central Africa is to discover a basis on which white and black, Asiatics as well, can live together under conditions of rapid economic change and with adequate opportunities for political development.'

Carefully read, this extract does, indeed, show us the full scope of the problems which confront us in our African possessions. We shall not discharge our duty to

our African fellow-subjects merely by providing them with good government and developing the economic resources of their country wisely and honestly. Our duty is greater than that. We have to help the people of our African colonies to fit themselves in the fullness of time into our own Commonwealth. Nothing less than this will do. Happily, we know enough now to avoid the cruel folly of trying to turn the African into a sort of black Englishman. Real assimilation of these two different human races can never take place, for the black man cannot think with our minds or look with our eyes at his world. Any attempt at assimilation of black and white would raise a whole host of insoluble problems, and so the black man will be left to develop along his own lines. British administration of his country will be the strong shield behind which he will grow to his full mental and political stature. Western education will inspire and inform his leaders and by them be passed on to him, shaped and coloured by African conditions and African needs. Generation by generation, these developments will be embodied in political and social changes until at last free citizens choose to associate themselves freely with the other members of the family of nations in which they have hitherto been as children, members, but subordinate and disciplined members.

These conclusions regarding the future of our African colonies are forced upon us by all our past imperial experience, by the principles on which the British Commonwealth of Nations is based and by the spirit which animates it. But they lead us on to a set of considerations of the very greatest importance to the future of dependent peoples in other empires than ours. These can best be brought out by referring to what has hap-

pened—and what might have happened—in India. In the eighteenth century a number of European powers were trying to carve out empires in India. The British, the French, the Portuguese, the Dutch, and even the Danes, all at one time or other held some part of India. Now, with only negligible exceptions, the British alone of European powers hold dominions in India, and they govern directly more than half the total area and population of the country. But let us suppose that the course of Indian history had been different and that half a dozen European powers had taken possession of extensive areas of Indian soil, just as to-day four European nations own great tracts of Africa. The British would certainly have taken the same line in their government in India as they have, in fact, taken. That is, they would have introduced the principles and machinery of democratic government into the constitution of British India. We can see now the powerful influence which the example of British India would have had on the neighbouring areas, inhabited by people of the same or kindred stock. Indeed, we have an illustration before our eyes to-day. Political influences flowing from British India are working powerfully in the Indian States, and the wiser princes are already accommodating their systems of government to the new ideas which no frontiers can keep out.

All this will happen in Africa, too. Modern communications and the spread of education make the process just as certain there as in India. Already we are able to watch in North Africa the working of influences emanating from Egypt and from the renascent Muslim kingdoms of the Middle East. What is happening in Nigeria and the British Gold Coast affects the people of

the adjacent French territory. There is no need to attempt a critical estimate of the respective merits of British and other systems of colonial administration. Most systems include that form of administration known as 'indirect government,' the form under which native chiefs and other traditional authorities exercise real powers of administration subject to ultimate European control. But there are important differences between the different systems, and it is not unfair to say that the British system is the most flexible, and makes the greatest devolution of real power. Also, there is the immensely important imponderable of the whole background of British imperial development, with its cardinal principles of progress from Empire to Commonwealth. From the very moment that a dependent people become able to conceive any national political objective, this principle exerts an immensely strong attraction on their minds. It becomes at once their ideal and the main-spring of progress, and already, as we saw in the case of the Dutch East Indies, its power extends outside the British Empire. It is very likely, therefore, that what we are doing in our African colonies now will, in the end, prove to be of decisive influence in the colonies of other powers also, and that, of course, purely by force of example. In Africa, as in India, therefore, we are, in fact, playing a part on a much wider stage than that of our own Empire.

That this is true is shown by the inclusion of the doctrine of Trusteeship in Article 22 of the Covenant of the League of Nations as the essence of the Mandates system. Article 22 is no more than a formal statement of the principles on which British colonial administration has long been based. The very word 'trustee' has been used



for at least a generation by the British Government in reference to its African possessions. In October 1908 the National Convention met in South Africa to consider the problem of the Union of the four territories. The status of the natives and their franchise was one of the four main topics discussed, and in this connection Sir Henry de Villiers told the delegates to the Convention that the Imperial Government reserved to itself the final decision in regard to the native franchise and the Protectorates since 'it regarded itself in a special sense as a guardian and trustee of the natives of South Africa.' Again, when the Act of Union was under discussion in the Imperial Parliament, Colonel Seely (now Lord Mottistone), who was then Colonial Secretary, used these words, 'A trustee cannot transfer a trust without guarantee of execution,' when speaking of the conditions for the transfer of the three South African Protectorates to the Union. The principle enunciated in these quotations was repeatedly expressed by responsible spokesmen for the British Government before the War and, in 1923, the British Government made its now famous declaration that 'in the Uganda Protectorate as in the Kenya Colony, the principle of trusteeship for the natives, no less than in the Mandated territory of Tanganyika, is unassailable.' The essence of the doctrine of trusteeship is contained in the first paragraph of Article 22 of the Covenant of the League of Nations, which reads as follows:

'To those colonies and territories which, as a consequence of the late war, have ceased to be under the sovereignty of the States which formerly governed them and which are inhabited by peoples not yet able to

stand by themselves under the strenuous conditions of the modern world, there should be applied the principle that the well-being and development of such peoples form a sacred trust of civilisation and that securities for the performance of this trust should be embodied in this Covenant.'

The 1923 declaration, as we have seen, applied the doctrine of trusteeship to non-Mandated territory, and later declarations and developments have now firmly established it as the corner stone of British Colonial Policy? What do we mean by 'trusteeship' as applied to Africa? The essence of the doctrine is that the trustee shall develop the African in his own interests to the highest level to which he can attain. But the trustee has what Lord Lugard calls a 'dual mandate.' He has a mandate from civilisation for the African. This involves the economic development of the countries concerned, as well as the moral and material development of the people. It arises from the same consideration as led to the scramble for Africa, namely that African raw materials and African markets are essential to our trade. This was the driving force which led to the impact of Western civilisation upon what was, in many places, an equally well established native civilisation. Even in the most favourable circumstances, the impact was bound to lead to the infliction of hardships and injustices on the weaker race, but the attempt to get adequate commercial returns from the countries concerned has led to some deplorable results in the African colonies of every European power which owns them. Happily, the phase of government in which such results were possible have now come to an end. The example of the Mandates

system and the inevitable levelling up to the highest standard of administration in operation anywhere, to which reference has already been made, will continue to make the principles of trusteeship more and more effective all over Africa. No longer are economic returns the chief criterion by which the success of colonial administration is judged. The test now is the welfare of the native populations, and this change in attitude runs right through every branch of the colonial governments of the most progressive colonial powers. Land, health, educational and developmental policies are now all made to serve the one main objective of increasing native welfare. A very good example of this 'change of heart' is furnished by the progress and outcome of the disputes in connection with the Kakamega and Kavirondo gold-fields in Kenya last year. Parliament and public in this country were quick to respond to reports alleging that natives were being dispossessed of their lands in order that these might be the theatre of gold-mining operations. The Colonial Secretary, Sir Philip Cunliffe-Lister, himself visited East Africa and was able personally to satisfy the parliament and people of this country that, in fact, the interests of the Kenya natives had been very carefully safeguarded throughout and that there could be no question of their being exploited in the future. The whole incident was, in fact, a good example of the working out in practice of the 'dual mandate.'

The very thorny problem of white settlement in East and Central Africa raises the question of trusteeship in its most acute form, and there is not the slightest doubt that the whole doctrine will have to undergo a searching test in the future. The immense importance of this part

of our subject makes it desirable that we should examine it in some detail.

The difficulty is most pressing in Kenya, where in one form or another this problem has engaged the continuous attention of the British Government practically throughout the whole of the post-War period. But the experience of Kenya has played an important part in developing and strengthening the whole conception of the doctrine of trusteeship. It was in the 1923 Paper relating to Kenya that H.M. Government thought it 'necessary definitely to record their considered opinion that the interests of the African natives must be paramount.' Other White Papers issued by the government in 1927 and 1930 extended and defined the position taken up in 1923, and the White Paper of 1930 explains that trusteeship is in no way incompatible with the common duty of any government to promote the resources of its territory, and the prosperity of its inhabitants, including immigrant communities within it.

The whole of our post-War experience in our African colonies shows that British colonial policy is now fitted securely into the framework erected by the doctrine of trusteeship, and this is as practicable a guarantee as can be given that the rights of the natives will be protected during the period of their tutelage. The Report on Closer Union of the Dependencies in Eastern and Central Africa made what might prove to be a most valued contribution towards a solution of the great problem which we are now considering, by suggesting that the administration of all native affairs in Kenya should be put in the hands of a special commissioner, who should be a British official of high standing and authority, administering his own budget. It seems very

likely that in this proposal to segregate native affairs, so to speak, we have the germ of a development which might lead to conditions in which the natives will be enabled to grow up in their own way and at their own pace into citizens of a modern progressive State, for that is what all the African colonies are destined to become in the end.

The principles of trusteeship are happily wedded to the system of government now in operation in practically all of our African possessions—the system known as indirect rule. In theory, indirect rule is very simple. It means that the colonies and areas where the system is in force are divided into ‘Native Administrations,’ whose local government is carried on in the indigenous forms and by the native authorities which the natives know and respect. The British officers are in the background to advise the native authorities, but not to issue direct orders to them except when these are unavoidable. Each native administration has its treasury into which is paid the proportion—usually half—of the government taxation which is allotted to it, and each draws up its budget showing proposed expenditure for the sanction of the government. Every native administration has its own court—in some there are more than one—to try such cases as are placed within their competence. Naturally the powers of the native administrations are restricted practically to what we would call local government, but there can be no question as to their value in providing training grounds in administration and the actual handling of authority, and, also, in tempering the government of alien rulers to the needs and feeling of the people. Of late years, however, criticisms of certain aspects of indirect rule have been heard in increasing

volume. Some of these criticisms come from administrative officials of experience and standing, and some from the more advanced natives in such areas as parts of the Gold Coast and Lagos in Nigeria. The gravamen of the criticisms is that the system of indirect rule tends to stabilise autocracy and to perpetuate institutions which are outworn and no longer adequate to the needs of the times. Such criticisms as these cannot be lightly disregarded, and, indeed, anyone who has had practical experience in administration in any part of the dependent Empire will understand at once that they have a certain validity, although they cannot be taken as valid over the whole field of indirect administration. In view of the supreme importance of the system to the whole future of the African races under our rule, and to the political development of the Empire, we must spend some time in considering the future of indirect administration, a process which will take us not only to other parts of the British Empire, but even outside it.

It is far too commonly assumed that the system of indirect administration was invented *ad hoc* for Nigeria by Lord Lugard. This is not correct. The Nigerian system—the *locus classicus* of indirect administration in Africa—is an adaptation of systems long familiar to administrators in India and Malaya and in the Dutch East Indies. The Indian States are an example of indirect rule carried to its farthest possible development. The Indian princes are, normally, completely independent in all departments of their domestic administration. The Indian Government may intervene only in case of a complete breakdown or flagrant misgovernment. The British Resident in a State or group of States is entitled to tender advice—more or less imperatively, according to

circumstances—but he is not entitled to intervene in the government of the State. On the other hand, no ruler of an Indian State may have a foreign or military policy of his own, and in such matters as the location of military stations and the development of communications he is bound to defer to the wishes of the Government of India as supreme guardian of the welfare and safety of the country as a whole. It will be seen, therefore, that the Indian States represent an individual type of indirect rule.

But that is not the only type in India. Along the North-West and North-East Frontiers and the Frontier of Baluchistan, the Government of India has established a control, varying in tightness, over the tribes who live across the administrative border. No detailed administration of the tribal areas is undertaken, but the tribesmen are subsidised and coerced into observing certain canons of behaviour between themselves and towards the inhabitants of the neighbouring districts of British India. Inside some of the tribal areas the government has established Militia, Police or Levy posts to maintain a decent standard of peace and security, and, in some cases to protect communications. The most characteristic form of this embryonic type of indirect administration (which can be easily and quickly developed into something more strict and formal) is seen in the 'Sandeman' system in Baluchistan, a system which has been copied, with certain modifications, in the tribal areas of the North-West Frontier. Sixty years ago, Sir Robert Sandeman, then a young frontier officer on the Baluch border, found it necessary to establish some control over the independent Baluch tribes who were constantly harassing their kinsfolk and others on the

British side of the frontier. He accomplished his object by entering into personal relations with the chiefs of the independent tribes and paying them to set their own tribesmen to the work of keeping the Queen's peace inside their own tribes and all along the British border. He found it necessary, in some cases, to give the weight of the Government of India's authority to the chiefs in order to enable them to control recalcitrant elements in their tribes. In an expressive Baluchi phrase, 'He put the Government's hand on the back of the Chiefs to uphold them.' His system has stood the test of time, and in British Baluchistan has now developed into a simple administration of a paternal kind. A variant of it is now being practised in Waziristan and other areas of the North-West trans-border, and in the Kurram Valley, west of Kohat, the system has developed on similar lines to those which it has followed in British Baluchistan.

Another and most interesting and suggestive form of indirect rule is to be seen in British Malaya, a form which has been moulded largely by the direct influence of our Indian experience. The unfederated Malay States present a very close analogy to the Indian States. Their rulers are as autonomous in domestic affairs as are their Indian peers; the Residents in them have much the same position and power as the Residents in Indian States, and the High Commissioner, as supreme representative of the Crown in British Malaya, exercises the same control in external and defence affairs as the Government of India does over the Indian States. The analogy between these two sets of States is so close as to lead us to believe that the important part played by the Indian States in the fundamental political changes now taking place in the system of government in India



may point to the probable course of evolution in British Malaya.

However that may be, it is certain that there is much experience which will be valuable for the whole future of indirect rule now being gathered in the Federated Malay States. These are four in number, and each of them is governed by its own ruler, assisted by a State council, over whom the ruler presides. These councils were reorganised in 1932, and each of them now includes the British Resident, the Malay chiefs and officials of the State, and a number of unofficial representatives of Malay, European, Chinese and Indian interests. In two of the States there are second chambers, which deal chiefly with matters concerning Malay customs and rights.

For the past forty years, with the consent of the four rulers concerned, these Malay States have formed a federation, which is administered under the advice of the British Government and the supervision of a Resident-General, now called Chief Secretary to Government. He it is who controls the Residents in each of the four States, and it is through him that the governments of the States communicate with the High Commissioner. All administrative matters, except those which refer to religion, are subject to the Chief Secretary's advice, but, generally speaking, the system of domestic administration in the States remains unchanged. Since the treaty of 1895, by which the Federation was created, there has been much notable development, particularly in the creation of a Federal Council, of which the High Commissioner is President. Under Federation, the economic and political development of the Federated Malay States has proceeded apace, and with British Residents

in each State, advising the ruler and his council, and the Chief Secretary controlling the Residents, a unique and very valuable system of indirect government has been developed. And now certain changes are contemplated of the greatest importance to students of colonial government. These changes are intended in both the status and the administration of the Federated States. Proposals are on foot now for giving the rulers more initiative and more final authority in their States. An official Command Paper, published in 1933, says that there is a strong case on political grounds for giving the rulers of the Federated Malay States control of their own domestic affairs. It is proposed to put the agricultural, co-operative, educational, electrical, forestry, medical, mining, public works and veterinary departments under the control of the State. The basic idea is to loosen the highly centralised bureaucracy that exists at Kuala Lumpur, the headquarters of the Federated Malay States. This involves the disappearance of the Chief Secretary—a development which has aroused very great opposition in the European, Chinese and Indian business quarters. Whatever the actual details of this policy of decentralisation may be when the proposals take their final shape, it is obvious that it represents a notable development in the system of indirect government. Further, the development is a healthy and natural one, and will, it is to be hoped, set an example which will be followed in other parts of the Empire.

Foreign experience with systems of indirect administration has also much that is of value for us. The system in the Dutch East Indies is of particular interest because there the Native States are far less autonomous than the Indian and Unfederated Malay States, or, even,

than the Federated Malay States. Their position is much more analogous to that of the native administrations in Africa. Thus, not only are the external and military affairs of these States completely controlled, but their rulers have to accept the 'guidance of the European administration.' All sorts of restrictions are placed on the powers of the rulers and some subjects of administration are completely withdrawn from their competence. Outside the Native States in the Dutch East Indies a system of representative government has been developed within the past few decades, and the situation is now surprisingly reminiscent of that of India. As in India, incorporation of the States in the directly governed territory is not contemplated and is not, in fact, practicable. Nevertheless, the situation of the Native States is unsatisfactory, and it is instructive for us to note that the Dutch Government, as a preliminary to an attempted solution of the problem which they set, is encouraging co-operation among States through the medium of federation, and already some of the rulers hold regular conferences on matters of common interest. It cannot be doubted that a well-conceived policy of federation would strengthen the position of the States, and make them into more effective governing agencies than they are at present.

This account of British and foreign experience with indirect government in other parts of the world, among more highly developed peoples, gives us some material on which to base our conjectures as to the future of the system in Africa. As we have seen, there is already in some places in our African colonies agitation against it from certain sections of African peoples, and although this agitation has not up to the present reached very

great dimensions, it is bound to grow in volume as more Africans become educated and politically self-conscious. Indirect administration as we know it to-day is avowedly a transitory form of government which we have neither the right, nor, indeed, the power to stabilise indefinitely. The same forces which have been at work during the past few decades in India, in the Dutch East Indies, in Indo-China, and other parts of the dependent world are at work in the African colonies to-day and will produce the same sort of results as we and others have experienced elsewhere. When the need for changes in our system of colonial government is proved, the British will act in traditional fashion. That is, we shall treat each specific demand for change as a purely practical problem, and will deal with it according to our past experience. Can it be doubted that the experience on which we shall call will be the experience of India and Malaya as well as of our African colonies themselves, experience which is relevant and helpful? The movement will probably be in the direction of the federation, or, possibly, amalgamation of native administrations into groups endowed with suitable institutions, and resources, and given increased powers and responsibilities. The actual forms which the institutions will take, and the actual location of power, will vary, of course, in different parts of Africa, and among different peoples, but our experience leads us to anticipate that the broad movement of development will be along the lines of bigger units and wider devolutions of authority. We need not contemplate the automatic introduction of the institutions of western democracy into Africa. Rather we may hope that the native authorities, personal or corporate, and native institutions, will adapt themselves to changing

conditions. The part played in recent years by the Indian princes, and the changes now taking place in the Federated Malay States, give us reasons for believing that the path of progress may lie in the way of the increasing autonomy of native administrations, which will group themselves, as time goes on, into appropriate units for the exercise of autonomous powers. Then, the time will come, as it has come in India, and will, no doubt, come in Malaya, for a number of autonomous units, freely and consciously to combine with each other to form, if not a new nation, at any rate the beginnings of one.

Admittedly we are looking very far ahead at this point, but in our colonial policy in Africa we are embarked on a wide and mostly unknown ocean, and we must try to find some points by which to lay our course. In Africa, political development inside each individual country, and development in the relations between the latter and the Commonwealth itself, will be brought about by the same forces and the same process as in the cases of the Dominions and India. The growth of self-consciousness and ultimately of national consciousness in the colonies will press against the present *imperium*, and the clash between them will result in the same synthesis as before. With every successive movement of this kind it is going to be easier for the members of the Commonwealth to do their part in effecting the synthesis, for they are gaining experience all the time, and the spirit of the Commonwealth is working more powerfully and surely. What we need to be sure of is that the system of indirect administration is one that can develop naturally with changing conditions into a kind of government which can fit into the Common-

wealth when its time for doing so arrives. In the light of the experience of indirect administration outside Africa, there need not now be any doubts on this score.

We now come to the pivot of the whole native administration of British tropical Africa—education, and its relation to the principle of indirect rule. It is generally agreed that the early missionary efforts in education, though heroic and devoted, were to a great degree misguided. The utility of a literary education to the native is questionable, particularly if it is not used as the basis of a wider curriculum. The modern theory holds that education should concentrate first and foremost on character and its development, and should, with this as basis, provide better knowledge of agriculture, hygiene and general welfare rather than concentrate on literary subjects. These, of course, must be included, at least to the extent of the three R's, but not as the foundation of the scheme. The aim of education must be to fit the African ultimately to take his full share in the life of his country. Education and the policy of indirect administration are intimately connected, as was ably shown in an article by Professor Malinowski in *Africa* in January 1929, where he says:

‘If we define dependent rule as the control of Natives through the medium of their own organisation, it is clear that only dependent rule can succeed. For the government of any race consists rather in implanting in them ideas of right, of law and order, and making them obey such “ideas. . . .” All social development is very slow and, therefore, it is infinitely preferable to achieve it by slow and gradual change coming from within. . . . Indirect cultural control is the only way of developing economic life, the administration of justice by Natives

to Natives, the raising of morals and education in indigenous lines, and the development of truly African art, culture and religion.'

The Memorandum on Native Education in Africa, issued in 1925 under the direction of Mr. Ormsby Gore, recommended Advisory Boards in each dependency, including officials from the Medical, Agricultural and Public Works Departments, and also missionaries, traders, settlers and representatives of native opinion. The education according to this authority should be adapted to native life, with the aim of raising 'the standard of character and efficiency in the bulk of the people,' and the central problem is stated to be finding methods of improving what is sound in native tradition. The Memorandum further emphasises the urgent need for educating women and girls—'the education of the whole community should go *pari passu*, to avoid any breach in good tribal conditions.'

Perhaps the best and most comprehensive survey so far made of African education and its relation to our theme is the report of the Phelps Stokes Fund on education in tropical Africa. This report stresses the same points as those mentioned above, and gives an account of the stages reached in the various dependencies. It states that Kenya has 'the most definitely educational interpretation of Governmental trusteeship in Africa ever made,' and it draws attention to the following extract from the White Paper of 1923:

'It is the mission of Great Britain to work continuously for the training and education of the Africans towards a higher intellectual, moral and economic level than that which they had reached when the Crown assumed

responsibility for the administration of this territory. At present special consideration is being given to economic development in the native reserves and within limits imposed by the finances of the Colony all that is possible for the advancement and development of the Africans, both inside and outside the native reserves, will be done.'

This statement, the Phelps Stokes Report says, is true in all British colonies, but in Kenya the government has not been able to find any tribal organisation into which it considers it feasible to introduce indirect rule. The administration is therefore direct, and while education may be producing more competent workmen among the Africans, it is not aiming at improving their own administration as it is elsewhere.

In Uganda the report says there is an acute need for educational activities owing to the increased income of the natives from their cotton trade. There is a Director of Education with an Advisory Board, but the schools are almost all in the hands of missions which need financial assistance and tend to stress the literary side of education. There should be 'an immediate reorganisation of education to avoid a crisis in native affairs and to take advantage of the striking opportunities presented by the Protectorate and its people.' The government has recognised the native administration in Uganda since the Uganda Agreement of 1900. Similar systems are being introduced among the other tribes, their general intelligence being high and well adapted to these institutions, even where no such definite tribal authority existed before.

The educational needs of Tanganyika, the report says, are greater than in any other British dependency owing to the disruption of the War. A Director of Education



was appointed in 1920, and good progress has been made since that year. The evidence of the Chief Native Commissioner of Tanganyika before the Joint Committee on Closer Union, stated that there was nothing of which the native was not capable if properly educated. He also said that the distinguishing feature of indirect rule in Tanganyika was that 'within the native sphere the executive functions of local government are carried out by natives with no supervising authority.'

In Nyasaland the Phelps Stokes Report states that progress hitherto has been disappointing, but a new Ordinance was passed in 1930 to ensure a good standard in all schools which received grants-in-aid, and a new set of syllabuses prepared.

Nigerian education is complicated by the presence of Muhammadans and tribal differences of perplexing proportions. In the North, where missions are not welcomed by the Muhammadans, education at the time of the Report was negligible. It is now progressing fairly steadily under an extensive programme, and is slightly more widespread in the South. Although in 1930 and 1931 Ordinances were passed, first for the South and then for the North, amplifying the syllabus and giving greater elasticity in the conduct of the schools, the general standard is lower than in any other tropical dependency. Yet it was here that Lord Lugard first introduced in Africa the system of indirect rule which has been established among all the tribes with varying degrees of authority according to development. The emirates of Northern Nigeria with their big towns and markets and old civilisation should be able to benefit greatly by education, but the government considers it to be 'disintegrating and demoralising' to them.

It is worth while taking the trouble to study the details given above because a sound educational policy that will affect the natives from their earliest days is the obvious way to carry out the policy of trusteeship and stimulate that of developing the land. It must be the basis of every other department of the administration, and must co-operate with them to produce a fuller and more highly developed life for the African. Such a policy runs *pari passu* with the aims of the government with regard to indirect rule, and no objections of any sort or from any quarter should deter its pursuance. In a word, educational policy in Africa should be consistent with and adequate to our policy for the political development of our colonies and should be pursued with exactly the same imaginative and anxious care.

There is one thing to be said in concluding our discussion of this great theme. Change is taking place in Africa, and in other parts of the dependent Empire—at a constantly accelerating pace. We are going to have ever less time in which to formulate and work out our policy of colonial government and native development. Our experience of the past may prove deceptive for the future, so far as the time factor is concerned. The forces at work are nowadays so strong and ubiquitous that no corner of the earth and no people can escape their influence. Where we were once able to think in decades, we must now think in years, and the problems which face us grow more complicated and baffling as time goes on. The future of the dependent Empire must engage the interest and occupy the attention of the peoples of the other British Commonwealth countries. Some of them are directly concerned, to a greater or lesser degree, in the problems of colonial government.

Australia, New Zealand and South Africa all have mandates which provide them with problems of the same sort as those which face the Government and people of the United Kingdom, whilst South Africa and the United Kingdom have a joint problem in the three South African Protectorates and, indeed, in the British colonies of East and Central Africa. We know, also, how the Ottawa Agreements brought the colonies within the range of the economic interest of the Dominions, and where economic interests are found, other interests follow sooner or later. Perhaps the problems which we have been discussing in this chapter will come before long within the purview of the Imperial Conference. There was a representative of the colonies at Ottawa. Can there not always be one—or more—such representative at every Conference? One by one, the major problems of our Empire have become the joint concern of the whole Commonwealth, and the problems of the dependent Empire seem now to be approaching, if they have not already reached, the stage at which they also demand the joint attention of the peoples of all the nations of the British Commonwealth. The Records of the Imperial Conference contain many statements which we now recognise to be of prophetic power, and among them is that made by Mr. Asquith (then Prime Minister of the United Kingdom), in his opening address to the Imperial Conference of 1911. He spoke of the ‘common trusteeship . . . of the interests and fortunes of fellow-subjects who have not yet attained, or perhaps in some cases may never attain, to the full stature of self-government.’ Surely the time has come when the nations of the British Commonwealth should begin to take up that trusteeship in common.

## CHAPTER XIII

### THE EMPIRE AND THE WORLD

So far in this book we have concerned ourselves chiefly with the British Empire as an example of a developing international system of a new and peculiarly intimate kind. We have examined the principles on which it is based, the forces which are shaping its future, and we have seen something of the plan of its present and future organisation in political, economic, and other less tangible matters. Yet, in spite of our pre-occupation with the internal affairs of the Empire, we have been unable to avoid altogether some consideration of what it means to the rest of the world. Already it is clear to us that in the British Empire ideal as set out in these pages we have a possible form of organisation for the world society of the future. Indeed, in the second chapter it was argued that there is no other permanent basis for such organisation except the development of a general will to associate, like that which forms the one real foundation of the British Commonwealth of Nations. The time has now come to discuss in some detail the whole question of the relations between the British Empire and the rest of the world.

In this midsummer of 1935 we have reached a point which is separated from the outbreak of the World War by that period of time which it takes a child to grow into a man. During the War, and for some years after it,

most people believed that after a period of inevitable dislocation the old political and economic systems of pre-War days would be restored—altered, indeed, in important particulars, but, in essentials, the same as those which had been evolved to meet the immense changes brought about in human conditions during the past three centuries of the modern age. To-day we know that that assumption was false. Far more fundamental adjustments are necessary than the restoration of the Gold Standard, the lowering of tariffs and the abolition of other restrictions on international trade, the revival of democratic systems of government in the countries where they have temporarily died out, and the many other panaceas which are proclaimed in one quarter or another. As was argued in the first chapter of this book, it is the root cause of all these prevailing ills which must be destroyed, and that is the all-pervading disharmony between men's power of achievement in the material sphere, and their power to adjust their domestic-political, their international, and their economic systems and relations to the new conditions which they have themselves created. More than this, it is fast becoming clear to us that it is we, of the generation now in control in all the countries of the world, who must solve the vast problem of the proper future organisation of the relations of all sorts between the nations, for it is on the solution of this problem that the continuance of civilisation depends.

We know well enough how ruinous is the economic war which is one of the two chief features of international life to-day. We know also that in the long run economic war must lead to war in the usual meaning of that word, and the fear of war is the second of the outstanding

features of international life in these days. This does not mean that all our problems are to be resolved into terms of economic problems, for economic problems are themselves shot through and through by non-economic factors. No such simple thread as this will lead us out of our maze. But, all over the world governments are faced by a problem of dreadful urgency which controls their actions and determines their decisions more and more imperatively as time goes on. This is the problem of finding work and food for their people, the master problem to-day. So it is that, no matter how enlightened statesmen may be, or however much they may want to act internationally, the iron grip of their immediate conditions forces them into narrowly nationalist policies which makes continually more difficult the solution both of their domestic and of their international problems. In other words, the short-term aspect of every government's problem to-day is so insistent as to be effective in determining action, and action which is appropriate to the short-term aspect only aggravates the conditions under which the long-term aspect of the problem—that is, the rational ordering of international relations—will have to be solved. Moreover, into this welter of nations struggling desperately to keep their heads above water there come now the new nations—Japan, the creations in Europe of the peace treaties, India, the reviving countries of the Middle East—all with their own claims, ambitions, and policies to complicate conditions and make solutions of problems more difficult than ever. Truly, as Lord Morley said long ago, there are 'strange currents racing in full blast through the rolling worlds of white men, black men, brown men, yellow men.' The world needs peace more

desperately than ever in her history before, and yet, where is peace to be found? In the early days of post-War idealism it was hoped to find in international co-operation, embodied in the League of Nations, an answer to the problem of how peace is to be ensured. To-day the League stands at the lowest point of its fortunes, and the attainment of a system of collective security, which is the truest hope of the world, seems more impossible than ever. What is the way out of our difficulties and dangers?

Certainly the right answer is not the abandonment of the League and the system of collective security, that is, of all that we understand when we talk of 'internationalism' to-day. On the contrary, international co-operation is the one hope of the world. But we are entitled, nay, we are compelled to ask ourselves whether we have, in the past, taken the right path to the goal which we seek. At any given moment the relations between the different nations must be embodied in treaties, agreements and the like, and there must be various kinds of machinery, domestic and international, for administering these things. But a collective system is something fundamentally different from an existing *corpus* of agreements between individual States. A collective system implies the recognition of collective interests and duties, and the existence of a collective will.

It can be reasonably maintained that the first of these conditions, the recognition of collective interests, is, on the whole, satisfied. The second, which is the recognition of collective duties, is, at any rate, becoming known as one of the conditions of a proper ordering of international relations. The third, namely the existence of a collective will, is completely unfulfilled. In these

circumstances it is clear that it is impossible for the League of Nations to act as the executive body of a collective system. The demands, which are so often made, that the League should intervene with authority in major international disputes are at present wholly unreasonable, and the attitude of mind that they bespeak is one of the reasons for the difficulties in which the League finds itself to-day. There is much, indeed, to be done before the League of Nations can become the central authority of a collective system for Europe, let alone for the world.

This part of our subject can best be developed at this point by a somewhat extended comparison of the League of Nations with the British Commonwealth of Nations. They both exist for the same purpose, namely to enable a number of separate nations to co-operate voluntarily for certain purposes. But, with this, the similarity between the two comes to an end. In everything else they are different. It is a striking and significant difference between the two systems that, whereas in the League of Nations membership is a thing to be decided by the temporary exigencies of national policies, and can be broken and resumed at any time, membership of the smaller British League of Nations, which is an intimate family affair, is irrevocable. Membership once terminated could never be resumed. The charmed circle would be broken for the country concerned. The rupture between the outgoing member and the rest of the Commonwealth might be perfectly peaceful. Nevertheless, the act would be final. This fact at once points us to a truth of great importance, which is this: The British Commonwealth of Nations is something more than a mere collection of freely associated nations acting



together for certain purposes. It is a thing with life, and like all the higher organisms, it cannot grow and shed limbs and organs indiscriminately. For this reason all the members who, together, form the Commonwealth, will at all times be particularly careful that no conditions arise such as will detach any one of them from the parent body. There is, in a sentence, a strongly marked sense of the identity of each with all, and, because of this, all talk of sanctions, of forcing any member to remain in the Commonwealth, becomes simply meaningless. Except from a merely legal point of view it did not need recent decisions of the Judicial Committee of the Privy Council to make it clear that any Dominion has the right to amend its own constitution, even to the point of declaring itself independent of the rest of the Commonwealth. It did not need the Statute of Westminster itself to make this clear. Probably from the end of the War of American Independence, certainly from the middle of the nineteenth century, it has been assumed that any British country, when it reached the stage in its development at which it could stand firmly on its own feet, would be allowed to go its own way without let or hindrance from the mother-country. It is no answer to this argument to point as some do to the tariff war between the United Kingdom and the Irish Free State, and the political controversies which have recently arisen between the two countries, and use this example as proof of the United Kingdom's wish to retain the old *imperium* and her determination to use sanctions in case of need. These and other similar examples which could be quoted, are regrettable, but they are the whole world away from sanctions such as those contemplated, in certain emergencies, by the Covenant of the League of

Nations. They are no more than incidents arising out of a clash between two individual countries. There is not, and could not be at any time, any question of the application of collective force, economic or, possibly, military by all the other members of the British Commonwealth of Nations to the United Kingdom or the Irish Free State, to make either one or the other move from ~~the~~ position which she had taken up.

Compared with the living organism of the British Commonwealth, ~~the~~ League of Nations is no more than a gigantic piece of machinery. It has interchangeable parts and its motive force comes from outside. Moreover, the representatives of the many nations who gather at its meetings do so in a different spirit from those who represent the countries of the British Commonwealth at the meetings of the Imperial Conference. The former go to Geneva to help in the orderly regulation of such international affairs as can be dealt with by the League; to remove by friendly consultations any causes of international friction, existing or potential, as can be removed by such means, and to review the work of the many permanent committees of the League which perform so many invaluable and all-too-seldom-recognised services. All this has been of immense value in the past and will assuredly be of still greater value in the future. But the delegates to Geneva go to represent the interests and the points of view of their own countries first and foremost. They are Britons, Frenchmen, Russians and so on. They have no loyalty to a wider entity than their own country. At least they have no loyalty which is as binding on them as loyalty to their own country. Their loyalty to the League of Nations is something of a different sort.

But at the Imperial Conferences every delegate is there in a dual capacity. He is there as Canadian, Australian, New Zealander, South African, or whatever he may be, and he is there also as British, since this designation must now be extended to every citizen of the Commonwealth. Each delegate owes the same kind of loyalty to the Commonwealth as he does to his own native land. And he does so because the British Commonwealth of Nations has been created and is maintained by all these different countries. They have all contributed something to its *ethos*, and without any one of them the whole would be different from what it is. Time after time the delegates of British countries at the Imperial Conference have deliberately abandoned the apparent interest of their own nation in specific matters in order to serve the wider interests of their Commonwealth. All the time they are conscious of the claim on their loyalty made by the wider system to which they belong.

The contrast between the League of Nations and the British Commonwealth of Nations is complete. The former may be likened to an association of business executives concerned with the elimination of unnecessary competition and the development of a body of fair trade practices. The latter is a family of nations whose executives represent the interests of its various members at Geneva and also are active to see that the interests of the family as a whole come to no harm. The difference between the two extends to their structure. Contrast the elaborate legal constitution of the League with the eleven clauses of the Statute of Westminster.

In short, the League of Nations can never be anything more than a piece of machinery. But it can be,

and ought to be, made into a supremely effective piece of machinery operating under the authority of the unquestioning trust and loyalty of the Nations which adhere to it. It is very urgently necessary that the real character of the League of Nations and the true lines of its future development should be widely understood, because there is simply no hope of anything valuable being accomplished by continuing to regard the League as a sort of world-parliament, and by trying to make it into such a body. That way lies continual disappointment, and, quite possibly, ultimate disaster. The developments necessary to turn the League of Nations into the effective machine for the smooth conduct of international affairs which we want must take place inside, and between, the different nations whose machine it is to be. It is in respect to these developments that the example of the British Commonwealth of Nations is destined to exert great influence, and, perhaps, perform the most valuable of all the missions which lie ahead of it.

Notice has already been drawn more than once in this book to the increasing attention which is being paid by foreigners to the British Empire, and this has been interpreted as a sign that the vital significance of the Empire for the future of humanity as a whole is beginning to be universally recognised. The conviction is everywhere growing, the knowledge is everywhere spreading from the scholars to the general public, that the nation-state is no longer an efficient unit for the conduct of economic processes, that is, for the material task of getting a living for the people who compose the State. But the needs of economic organisation are at variance with the political distribution of the world's surface and population, and with old, deep-seated,

hereditary instincts. It is not easy to marry economic needs to domestic politics and international policies so long as the sovereign nation-state is regarded as the ultimate and invincible unit of the organisation of human society. Customs pacts and trade agreements may be made and may be very useful, but they are merely temporary phenomena. They are not the thing itself. And yet, in view of existing age-old conditions, how is it going to be possible to supersede the nation-state and achieve real unity, not only of interests and aims, but also of action between peoples who have hitherto regarded themselves as necessarily completely independent in all their doings?

The example of the British Commonwealth of Nations suggests some of the approaches, at any rate, to the answer to this question. It shows, for example, the necessity for avoiding ambitious, *ad hoc* projects for joint action, and the equally imperative necessity of building on what is natural. It teaches the gradual strengthening of existing bonds of union between neighbouring or kindred races, and the wisdom of allowing a sense of common interest to develop naturally into a common purpose and, ultimately, into a common will. It teaches that the spirit, not the form, is everything. Above all, in the Imperial Conference it shows both an incomparable instrument of consultation and a procedure whereby the fruits of consultation can be gathered. Indeed, the Imperial Conference is as worthy of close and imaginative study by foreigners as by ourselves, and this central institution of the British Commonwealth of Nations may easily be the parent of similar bodies in other Commonwealths yet to come.

It was said above that the example of the British Com-

monwealth of Nations shows that in matters of international co-operation it is the spirit and not the form, or machinery, of co-operation which counts. This is the greatest of all the lessons which our Commonwealth has to teach, and the careful observer can study the manifestations of the spirit which animates it at every point where the Commonwealth touches the outer world, as well as when its members sit in family conclave in the Imperial Conference. At meetings of the League of Nations, foreigners observe the complete independence with which the representatives of each British country give their opinions in discussions which are meant to focus and clarify world opinion in specific matters. To the casual observer it appears as if there is no sort of liaison between them, and, indeed, it is no uncommon sight to see the delegates from the various parts of the Commonwealth voting on opposite sides. Actually, however, there is a vast amount of informal consultation, and it would be practically impossible to find them voting against each other on any resolution which called for executive action in any matter of really first-rate importance. In a word, every one of them knows that in any matter of real importance he has got to think not only for himself and for his own country, but for others and other countries who also belong to the same Commonwealth as himself. The value of this, from the non-material as well as from the material point of view can hardly be exaggerated. It is one of the strongest of all the forces making for the formal, visible integration of the Commonwealth. This is a spirit, which can and should be cultivated by neighbouring and kindred peoples elsewhere, particularly in Europe, whose circumstances make it desirable and possible for them to

enter into some form of union with each other. In the extract quoted at page 86, Hans Kohn says that 'the evolution of a pan-Europe without England can now no longer be imagined.' This is true if for England we substitute 'the British Commonwealth.' But the substitution of these words shows clearly that England and the other members of the Commonwealth can never be a part of pan-Europe and the United Kingdom herself can never be a member of any Commonwealth except the British, until, of course, the far distant day arrives when all the world forms one Commonwealth. But the United Kingdom cannot dissociate herself from the affairs of Europe. Indeed, in the conditions of the present time, she finds herself saddled with the chief responsibility for keeping the peace in Europe, and mainly on her rests the duty of fostering the system of collective security, for, without the United Kingdom Europe would speedily lapse into chaos and collective security would vanish. We saw in Chapter IV that the maintenance of peace and the strengthening of the collective system were the twin pillars of the common foreign policy of all the British Commonwealth. In everything that she does to pursue this policy, the mother-country has the whole Commonwealth with her. Our national and imperial interests coincide, and so, at this hour of destiny, Europe is subject to the mighty influence of a world-wide Commonwealth which stands entirely aloof from her quarrels, which has no lot or part in any of her age-old enmities or friendships, but which yet is vitally concerned to bring about those very conditions in which the truest interests of Europe will be served. In this coincidence of British national and imperial interests in peace and the maintenance of

the collective system, we shall, perhaps, find in future an invincible safeguard against another breakdown in Europe.

We enter on a truly vast theme when we turn from Europe to Asia and consider the part which is being, and is to be, played there by the British Empire. A shrewd and well-informed foreign observer, M. Staal, has recently said in his book, *A Foreigner Looks at India*, 'Europe, seen from the East, is England.' Again it is necessary to point out that the word 'England' is only a synonym for the British Commonwealth, for it is through India, now in process of becoming a full and freely associated member, that England and the Commonwealth have their greatest and most vital interests and find incomparably the most important channel for the exercise of their influence. Even in these days of mid-1935, distracted as we are by the untoward aspect of events in Europe, we are very painfully aware of the fact that the relations between Asia and the West present us with a problem no less important than that of keeping the peace in Europe. In the years to come the Asian problem may, quite easily, become the supreme political problem of the world. In such circumstances as these, the crucial importance of India's membership of the British Commonwealth of Nations is clearly perceived. The avowed intention of the Japanese to establish a hegemony over the rest of Asia, and to declare a Monroe Doctrine for the whole continent, as they have already done for China, represents a reversal to the ideas and methods of the eighteenth century, ideas and methods which are in direct opposition to the conditions and needs of the world to-day. For this reason alone they must fail ultimately, and they will certainly split on



India. The commanding influence of India in Asia, and in other parts of the world, has already been studied by us. India's acceptance of the Commonwealth ideal is thus a fact which will probably prove to be of decisive importance in the future of Asia, because she and all the satellite countries who are coming increasingly under her influence will have nothing to do with the Japanese theory of military hegemony, and, in the end, their attitude will not only render abortive the Japanese attempt to dominate all Asia by force, but will effectively influence the opinions and actions of the Japanese people themselves. But this is not the only way in which the British Commonwealth is working out its mission—of such importance to all the world—in Asia. All over the East, but, of course, particularly in India, the British Commonwealth holds up to the Eastern peoples a different and better ideal than that of mere independence in isolation, and mere self-sufficiency in economics. The Commonwealth is a mighty living example of co-operation between different peoples for mutual benefit, and in it the whole world sees a harmonising of national interests and the avoidance of otherwise inevitable strife. In the social and historic conditions of India we perceive the possibilities of disruption and chaos equal to those in China, and, again remembering India's influence throughout her own part of Asia, we are entitled to ask, what would have been the state of Asia and of the world to-day had India, in fact, been in the same state as China to-day? British rule has made out of a number of contiguous territories and peoples one great political and economic unit, and the lessons which India has to teach to the other countries of Asia will, assuredly, not fall on deaf ears.

In Africa we have seen the doctrine of trusteeship grow up and become the corner stone of British colonial policy. We have seen, too, that there are good reasons for believing that by sheer force of example, and by virtue of the strong appeal to all dependent peoples inherent in the principles on which the new British Empire is based, our systems of administration in our African colonies are destined deeply to influence the future development of foreign colonies in that continent. Even the relations between members of the British Commonwealth of Nations as it is to-day are being tested by some of the problems which Africa provides and are bound to be deeply influenced by the solutions proposed. For years past the three South African protectorates of Swaziland, Bechuanaland, and Basutoland have been a potential cause of serious disagreement between the Union of South Africa and the United Kingdom. The white population of the Union have to live in proximity with a superior number of natives, and, more difficult still, certain sections of the white population find themselves in economic rivalry with the black population. It is impossible for the white South Africans to take as philosophic and detached a view of native policy as we do, and the South African point of view has evoked a response in other parts of British Africa. Now it is idle to attempt to deny that some of the differences between South African ideas on native policy and our own ideas are such as to cause concern to the people of the United Kingdom. Yet, the Imperial Statute of 1909 which established the Union of South Africa made provisions to enable the Union to take over the three protectorates at some future date on special terms laid down in a schedule to the Act. It has been common

knowledge for some time that General Hertzog has been anxious to have the transfer of the protectorates to the Union effected, and that there has been resistance to his proposal in influential quarters in the United Kingdom. The matter came to a head during General Hertzog's visit to England for the Jubilee, when a completely amicable agreement was reached between him and the Imperial Government. The wishes of the people of the protectorates are to be ascertained before transfer is made, and the parliament of the United Kingdom is to approve. The two governments will, for the next few years, direct their policy to bring about 'a situation in which, if transfer were to become a matter of practical politics, it could be effected with the full acquiescence of the populations concerned.'

It can hardly be doubted that this settlement of a very difficult matter will exercise a continuing effect on the native policies of both the Union of South Africa and of the United Kingdom. The former is bound to approximate in character to the latter, and the United Kingdom in turn, whilst sacrificing not one jot or tittle of the doctrine of trusteeship, will find it more and more possible, as time goes on, to keep her native policy in step with that of the Union and so a possible cause of grave disagreement inside the Commonwealth itself should be finally laid to rest. The dust of controversy over this matter of the protectorates still hangs in the air. But we may pierce through it and see the old dispute and its tentative solution as one more example of the Commonwealth spirit in action, and, again, we may expect the results achieved to exercise their influence outside the Empire and to work strongly among other dependent peoples elsewhere.

Finally, in this geographical survey, we come to the continent of America, and here our attention is concentrated on the relations between the British Commonwealth and the United States of America. Since the War of Independence historic and social causes, aided from time to time by specific grievances, have operated to keep the mother-country and the independent daughter separated in sentiment, and, all too often, in open antagonism to each other. In the days of the old *imperium* it was particularly easy for the democratic American people to misunderstand the workings of British imperialism, and ever since the War, India, for example, was for a time a fertile source of irritation on both sides. But the bases of the old misunderstanding have been largely cut away by recent developments inside the British Commonwealth and Empire. It is no longer possible to represent India as a country lying under the heel of a predatory imperial power. Indeed, the way in which the Indian problem has been handled by the British Government has redounded to Great Britain's credit in the United States. But it is the rise of the Dominions to full national stature and the emergence of the present British Commonwealth of Nations which has most deeply impressed American opinion. The principles on which the Commonwealth is founded are becoming familiar to the American people, who readily recognise in them a new and valuable influence for all the world. Canada is a natural link between the two halves of the English-speaking world who are being made more conscious now than ever before of their common heritage through the medium of film and radio. They are becoming conscious, too, of the basic truth that their interests in foreign policy are identical. The United

~~States and~~ the countries of the British Empire have the maintenance of ~~peace and~~ the outlawry of war as the very essence of their external policy, ~~and~~ the Toronto Conference, unofficial though it was, undoubtedly expressed the official attitude when it said that 'Co-operation ~~with~~ the United States is a vital feature of Commonwealth foreign policy.' It is not likely that there will be any binding or formal alliance between the two halves of the English-speaking world unless, indeed, some world upheaval forces them together, but it is already as certain as anything human can be that there will never again be any dangerous antagonism between them. The rise of the new British Commonwealth ensures this, and particularly the position and importance of Canada in the Commonwealth. We have seen how British foreign policy is becoming more and more a policy of the whole Commonwealth, a policy with which the United States is and must always be in accord. Recent pronouncements by leading statesmen in the United States and in various British countries, notably the United Kingdom, mark the cordiality of the relations which now exist. No binding alliance between the United States and the Commonwealth is necessary. What we may reasonably look forward to is an *entente* based on mutual respect and the pursuit of common objectives, and, as the means of communication—visual, auditory, and personal—increase and improve, a revival of old common traditions and esteem, and in the end perhaps of something of the old affection which once held between the children of the British Isles, Ireland included, wherever they were in the world. This might never have been possible between the United States and England alone, but it is possible between the United States and the Common-

wealth. It is very fortunate for the world that this is so, because coming developments will surely make it a matter of most vital concern to civilisation that they should be able to act together.

Before we end this discussion of the part to be played by the British Empire in the world, we must turn for a while to one of the most important aspects of the whole subject, namely the value of the British Empire as a guardian of liberty and democracy. This is no time to embark on a detailed examination of the philosophic and moral bases of the various forms of dictatorship which we see around us in different parts of Europe to-day. It is enough to say that the Corporate, Totalitarian, Communist, or other form of non-democratic State is a total denial of the principles which became accepted, more or less completely, as the foundations of the political structure of all western countries during the course of the nineteenth century. Every modern dictatorship assumes as the corner stone of its system and the justification of its actions the theory of real group-personality, the theory that the State and society form one organic unity with its own individuality and needs and claims superior to those of the individuals of which the State is composed. This theory is familiar enough to students of politics and was once made almost respectable by the mighty name of Hegel. But, as the nineteenth century advanced it gave ground almost everywhere before the advance of cultural Liberalism, using this word in its philosophic and not in its British-political sense. And now, in the twentieth century, it is Liberalism that is on the retreat. In a word, democracy, with its cardinal doctrine of the right to legitimate self-assertion of the free individual personality, has perished over a

great part of Europe, and its fate is in the balance in some European countries which have hitherto escaped dictatorships. Unless there is a radical and fairly rapid change for the better in world conditions generally and, therefore, in the conditions of each individual nation, it seems as though democratic government is destined to go even from some of its last remaining fastnesses. Of all forms of government in the modern world none is so unstable as dictatorship. The potential explosive forces inside each State are so strong that those which oppose the dictatorship will, sooner or later, disrupt the whole system with incalculable effects. Happily, the basic principles of the British Commonwealth are actively hostile to the ideas on which the theories of dictatorship are based. The rise of a dictator in any of the Dominions, and certainly in the United Kingdom, would, in all probability, lead to the disruption of the Commonwealth, and so is unthinkable. The principles of democracy and the enjoyment of individual liberty are the vital forces of the British Empire, and will be there kept alive to revitalise other bodies when the occasion to do so arises—as it assuredly will.

## CONCLUSION

THE essence of all that has been written in this book is contained in the statement that the British Empire is developing into an organised Commonwealth, a microcosm of that future organisation of all the world which must be achieved if civilisation is to continue to exist, and if mankind is to escape the fate of the earlier dominant races on this planet. This book has tried to show what moral and political justification there is for the British Empire and the extent to which it is already organised as a working and still expanding Commonwealth. And the lesson which we have drawn from this examination of our great enterprise is that the greater part of the working out of the constitution for this strange, new form of Commonwealth has still to be accomplished. The report of the 1926 Imperial Conference, which contained Lord Balfour's quickening statement, said truly that what had been already done was no more than 'a foundation on which subsequent conferences may build.' Another statement by that same Conference ought to be in the hearts and minds of British citizens all over the world, particularly of those young ones who are growing up to take possession of the stage which their elders must before long abandon. 'The British Empire,' run these memorable words, 'is not founded upon negations. It depends essentially, if not formally, on positive ideals. Free institutions are its life-blood. Free co-operation is its instrument. Peace,



security and progress are among its objects.' In these few words are wonderfully blended the spirit of the British Empire, the duties which it has to perform, the services to humanity which it has to render, and its irresistible call to the chivalry and desire for service of the young.

One of the greatest and most friendly of all the foreign historians of the British Empire, the late Mr. G. L. Beer, has said that the first beginnings of the British Empire were not the result of isolated or fortuitous circumstances, but—like all great historical developments—were intimately connected with the main currents of the world's political evolution. Those words are just as true of the British Empire to-day in what we might call its period of new beginning. Once before in our history there was a time like this when we might have shown to the world a new model of international co-operation, and, in doing so, quite conceivably might also have shown the way to avoid many of the calamities of the last century and a half, which have arisen out of the anarchy in international relations. This was at the time of the estrangement between this country and her first daughter States, now the United States of America. It is with feelings of something like awe that the student of to-day reads through some of the polemical writings produced during those unhappy days in both Old and New England, for the most modern developments in the constitution of the Empire were all advocated more than a century and a half ago by men like Price and Cartwright in England, and by Franklin and Madison in the colonies. And once again the student notes that, then as now, the urge towards change and development came first and most strongly from the overseas Empire.

In the early years of the last quarter of the eighteenth century, Price and Cartwright preached the formation of a British League, the doctrine of the Empire as an alliance of independent, co-operating States; but already by 1770 Franklin, writing to Samuel Cooper, had expounded the same theme. In a letter of 8th June of that year he wrote:

‘That the Colonies were originally constituted distinct states, and intended to be continued such, is clear to me from a thorough consideration of their original charters, and the whole conduct of the Crown and nation towards them until the Restoration . . . the several states (in the King’s dominions) having equal rights and liberties, and being only connected as England and Scotland were before the Union, by having one common sovereign, the King.’

Later in the same year he put it still more succinctly in a letter to M. Dubourgue, when he said:

‘We have the same king, but not the same legislatures.’

James Madison, writing some years after the final separation between the two Englands, summed up the whole dispute in words which read almost like the first draft of the Balfour Declaration:

‘The fundamental principle of the revolution was that the Colonies were co-ordinate members with each other and with Great Britain, of an Empire united by a common executive sovereign, but not united by any common legislative sovereign. The legislative power was maintained to be as complete in each American

parliament as in the British Parliament, and the Royal Prerogative was in force in each Colony by virtue of its acknowledging the King for its executive magistrate, as it was in Great Britain by virtue of a like acknowledgment there.'

Perhaps the time was not ripe yet for the transformation advocated by these and others on both sides of the Atlantic, and, at any rate, after the great civil war between the two halves of the British race we did avoid 'a dull persistence in error.' Now, happily, we are becoming more clearly aware of the true character and scope of the task which we are called upon to perform in organising the British Empire of the future. To us, as to an earlier generation, Burke's wonderful words in his 'Address to the British Colonists in North America' are applied.

'Public troubles have often called upon this country to look into its Constitution. It has ever been bettered by such a revision. If our happy and luxuriant increase of dominion, and our diffused population, have outgrown the limits of a Constitution made for a contracted object, we ought to bless God, Who has furnished us with this noble occasion, for . . . enlarging the scale of rational happiness.'

In this quotation is the very keynote of our own call to action.

It is not enough that the British Empire should survive in a form satisfactory to its own members. It must also be an active power for good in the world. A forerunner of our own Commonwealth, the Athenian Empire, might conceivably have anticipated some of the develop-

ments which we are studying to-day, but Pericles could not find the political form in which to embody a citizenship of the Empire, and so he turned instead to efficient service. There was a time when we were inclined to take efficient service as our own ideal, but the days for that have long gone by, for efficiency of service is a limited and static conception. In the British Empire, which is an expanding Commonwealth, there can be no finality of perfection, and no static condition is possible. 'The permanence of Empire consists in its extension.' This is a true saying if we give to the word extension a moral connotation. In a word, all the citizens of the British Empire are called to a great adventure, and not only to an adventure of the mind and spirit, but to a physical adventure also. Side by side with the adventure in the realm of the spirit, which the building of a new world order essentially is, there is the call to our people to go out and fill and develop the empty places of the Empire. We are happy in the fact that the service of the British Empire calls us all the time to fresh experiments, and to changes, with the ideal of perfection receding all the time and never being attained. For us, therefore, there can be no staleness and decay, unless we lose sight of our mission, forget our pride in the achievements of our race, and abandon our quest. This is not possible, for the ideal of service to humanity, which is the mainspring of all young and generous natures, is the ideal of the British Empire also. In the Dominion Day address last year, which was heard all over the British Empire, Mr. Bennett, Prime Minister of Canada, said that in the War the Dominions had fought in a cause which promised nothing of material gain to any of them. This was true, and if anybody should be inclined to doubt the enduring

strength of the foundations of the Empire, he has in the great example quoted by Mr. Bennett a conclusive answer to his scepticism, because, at an hour of crisis in human destiny, the Dominions and India counted nothing of greater value than service to the ideal which was enshrined for them in the Empire. And we have seen how, in thus pouring themselves out in service they enriched and expanded the Commonwealth to which they belong, and developed to their full height the strength and value of their own personalities.

One of the most notable developments in the realm of thought in our day is the return of scientists to religion; that is to know and to acknowledge that there are values which transcend and ultimately govern the laws of their own particular sciences. This is shown very clearly, for example, in two outstanding books on sciences so wide apart as astronomical physics and biology, both published within the past year. Sir Arthur Eddington in *New Pathways in Science*, and Professor J. B. S. Haldane in his *Philosophy of a Biologist*, give clear expression to their authors' faith in spiritual values. From the seventeenth century until only the other year, belief in the power of science to solve all our human problems and bring the reign of plenty and universal peace on earth was complete. But now we know that science by itself can solve nothing, can, in fact, only raise up fresh problems, each of them bigger and more intractable than its predecessors. There must be a corrective and governor of science, and where are these to be found except in faith in the ultimate power of the spiritual factor in all our doings? It is a sad and significant sign of our times that once again, after centuries of triumphant and, apparently, consolidated ad-

vance, men can talk with justification of the possible breakdown of civilisation. And this time, civilisation may break down, not through assaults from outside, but from the emergence to dominant power of the baser elements in human nature and in civilised society. There is no need to illustrate this theme, for indeed, its illustrations lie before our eyes wherever we look to-day. The petty and vicious nationalistic aims and policies and hatreds and the dictatorships which, in this twentieth century, hold public and private life in thrall over a great part of our western world are heralds of the emergence of those baser elements, and are signs of impending disaster. It is easy to say that these things are temporary and will pass away in time. But the manner of their passing may be the catastrophe we dread. They must be put away quickly and a new and better order brought into being. We know the limitations on the action of the League of Nations to-day, and we know what it might be if only the spirit to sustain it could be brought into being and spread throughout the world. The peoples of the British Empire can be the missionaries of that spirit as no others can. The cry for self-determination during the War has led to the rise of a number of new nation-states, whose political and economic and cultural frontiers are at the root of many of our discontents to-day. To them the British Empire is a guide and inspiration. Having achieved their national freedom, why should not different groups of them now freely combine with each other on our British model? They have a great example before their eyes, and the process is a politically possible one. By doing so they can retain their national autonomy and expand their freedom, and enjoy it in ample surroundings and

on a wider stage. This is the process by which the despotisms and the national and racial hatreds will be destroyed, for they will be changed into something better, and yet the native strength of national feeling will be left unimpaired to work for the strengthening and expanding of the new order, in constructive instead of destructive ways.

It is not putting too high a value on our Great Society of peoples of the British Empire to say that they and their Commonwealth are the chief builders of the world society of the future, which must be brought into being, and that if they fail the greater organisation will not come into being for generations, and it may never come at all. No less a responsibility than this lies on the shoulders of the British peoples who are seeking the way to more complete unity, and better organised co-operation between themselves. It is a search in which all can take part, undeterred by political or other convictions or by race or colour. The real founder of the British Empire was Oliver Cromwell, and with his description of the 'Seekers' of his day we may close our inquiry for the present. The sect of the Seekers, said Cromwell, was 'the best sect next to a Finder, and such an one shall every faithful humble seeker be at the end.'

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